ASSESSMENT OF INTERNATIONAL JOINT VENTURE PERFORMANCE IN TANZANIA: A CASE OF TANZANIA RAILWAYS LIMITED
ASSESSMENT OF INTERNATIONAL JOINT VENTURE PERFORMANCE IN TANZANIA: A CASE OF TANZANIA RAILWAYS LIMITED

By
Aikaruwa Pius

A Dissertation Submitted to Mzumbe University Dar es Salaam Campus College in Partial Fulfillment of the Requirement for Award of Masters of Science in Procurement and Supply Chain Management (MSc – PSCM) of Mzumbe University

2014
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled “Assessment of International Joint Venture Performance in Tanzania: A case of Tanzania Railways Limited”, in partial/fulfillment of the requirement for award of the Degree of Masters of Science in Procurement and Supply Chain Management of Mzumbe University.

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Major Supervisor

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Internal Examiner

Accepted for the Board of MUDCC..............................
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I, Aikaruwa Pius, declare that this dissertation is my own work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature: ………………….

Date…………………………

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This work has been a success through contributions from various persons who participated in one way or another. I feel indebted to many more persons who gave me some insights and experiences, moral and material support, which all culminated into successful completion of this work. Unfortunately time and space do not allow me to mention all of them individually. Therefore, I urge them to accept my heartfelt appreciation and may the Almighty, the merciful and beneficent God bless all of them.

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DEDICATION

This work is dedicated to you my dear parents Mr. and Mrs. Pius Karia in recognition of your exceptionally good parentage.
ABSTRACT

The main objective of this study was to assess the International joint venture performance in Tanzania Railways Limited. The specific objectives of the study were to trace the issues related to formation of joint venture, to critically examine the major forces that influenced the direction of joint venture, to observe the performance of Tanzania Railways Limited joint venture, to suggest check-list for future joint ventures in Tanzania. The study used both qualitative and quantitative research techniques. And data collection methods used was observation and observation schedule, interview, documentary review and documentary analysis together with data collection instruments. Data analysis presentation and dissertation is based on the research objectives.

This study revealed that the overall level of satisfaction of local partner with the performance of the Tanzania Railways Limited joint venture was not satisfactory, but they may prefer to go on a joint venture with Indian partners again. They admitted that the association with international partners enhanced pooling of some financial resources and improved the management skills and taught them how to utilize the available resources. They also felt that the experience did not enhanced their local image and did not gave them confidence to venture overseas. They felt the cultural gap between the two groups was too wide to be bridged over a short period of association. Also the study came up with the conclusion that the overall level of satisfaction of international partner with the performance of the Tanzania Railways Limited joint venture was not satisfactory since local partner did not perform his obligations.
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<th>Full Form</th>
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<tr>
<td>DCs</td>
<td>Developed Countries</td>
</tr>
<tr>
<td>DSM</td>
<td>Dar es Salaam</td>
</tr>
<tr>
<td>EARC</td>
<td>East African Railways Corporation</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<td>IJV</td>
<td>International Joint Venture</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>JV</td>
<td>Joint ventures</td>
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<tr>
<td>LDC</td>
<td>Less Developed Country</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>PSRC</td>
<td>Presidential Parastatal Sector Reform Commission</td>
</tr>
<tr>
<td>RAHCO</td>
<td>Reli Asset Holding Company</td>
</tr>
<tr>
<td>SUMATRA</td>
<td>Surface and Marine Transport Regulatory Authority</td>
</tr>
<tr>
<td>TAZARA</td>
<td>Tanzania Zambia Railway Authority</td>
</tr>
<tr>
<td>TRC</td>
<td>Tanzania Railways Corporation</td>
</tr>
<tr>
<td>TRL</td>
<td>Tanzania Railways Company Limited</td>
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<tr>
<td>TRL</td>
<td>Tanzania Railways Limited</td>
</tr>
<tr>
<td>TRAWU</td>
<td>Tanzanian Railways Association Workers Union</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
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<tr>
<td>WOS</td>
<td>Wholly-Owned Subsidiary</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background

Globalisation has resulted in a more integrated and interdependent world economy, where firms choose to concentrate or disperse value adding activities around the world, according to potential locational advantages (Rundh, 2007).

Joint Venture (JVs) involves two or more legally distinct organizations (the parents), each of which shares in the decisionmaking activities of the jointly owned entity (Geringer, 1988). It is considered to be an International Joint Venture (IJV) when at least one parent is headquartered outside the venture's country of operation, or if the JV has a significant level of operations in more than one country (Geringer & Hebert, 1989).

IJV is a widely used strategy for business firms in both Developed Countries (DCs) and Less Developed Countries (LDCs) for several strategic, economic, political, and cultural reasons. This mode of foreign market penetration has been popular among European and Japanese firms from the beginning of their internationalization programs (Franko, 1976; Kojima, 1977; Yoshino, 1974). It is now being exploited by many United States (U.S) Fortune 500 companies (Janger, 1980; Porter and Fuller, 1986; Harrigan, 1988b). Moreover, investors from LDCs often use IJV as their vehicle for Foreign Direct Investment (FDI) in other LDCs – it is estimated that around 95% of all these FDI projects are JV (Lall, 1983; Wells, 1977, 1983; Monkiewicz, 1986). Scholars even forecast increasing use of IJVs in globalised industries (Dunning, 1988a; Harrigan, 1984; Porter and Fuller, 1986).

A growing number of LDC companies are investing overseas especially in other LDCs (Aggrwal and Agmon, 1990; Lall, 1983; Lecraw, 1993, 1977; O’Brien, 1980; Wells, 1983). Anecdotal evidences suggest that around half of the FDI projects in Bangladesh are now being sponsored by companies from other developing countries of Asia (GOB, 1992a, 1992b) and their number is growing very rapidly. Given the
low rate of foreign investments in Bangladesh (Siddiqi, 1983, 1984), these LDC investments are critical importance fare equally as well as the DC-sponsored ones.

China began to bring in private investment from foreign countries in 1979 when the country started to pursue the policy of opening up to the outside world. The economic reforms in China have stimulated the increasing establishment of joint ventures. More than 20,000 international partnerships with a total investment of more than $26 billion were signed in the 1980s (U.S - China Business Council, 1990). By the end of 1993, the number of Chinese-foreign equity joint ventures and Chinese-foreign contractual JV registered in PRC were 107,820, and 25,500 respectively (Ming Pao Daily News, 1994). This rapid growth of foreign-Chinese joint ventures presents a challenging opportunity for studying joint venture performance in LDCs.

Statistics showed that more international JVs were formed in China than in any other nation in the decade of the ‘80s (Beamish, 1993), and the contracted foreign investment in China in 1992 exceeded US $40 billion (Economist Intelligence Unit 1993). Not only large multinational manufacturing firms have developed JV in China, IJV with small foreign firms are even more numerous (U.S – China Council, 1990).

JVs are considerate importance in terms of the number of establishments and value of foreign investment (Henley & Nyaw, 1990). There are two types of joint ventures in China: equity joint ventures (also called joint ventures) and contractual joint ventures (also called cooperative enterprises). The Chinese-foreign joint venture is an investment jointly run by the participants who share both the risks and profits, and established under PRC Law on Joint Ventures Using Chinese and Foreign Investment. In contrast, a contractual joint venture is a form of international economic cooperation derived from a flexible application of the Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment (Chu, 1986). For instance, the forms and amount of investment, the rights and obligations of the participants concerned in a contractual joint venture are all specified in the contract.
Previous research on JV in China has centered on formation issues from the perspective of Western managers at the IJV operating level (Abdallah, 1992; Davidson, 1987; Eiteman, 1990; Shenkar, 1990). Despite the strategic importance of IJV, studies of IJV performance is little (Anderson, 1990; Geringer & Hebert, 1991), and the factors predictive of successful venture performance remain unclear (Geringer & Hebert, 1991). In addition, prior studies have focused their analysis on the joint ventures in developed countries, the studies of IJV performance in developing countries has received little attention. However joint ventures in PRC have their own characteristics, such as JV creation is mainly due to government pressures and with government partners, and often formed with partners from ethnically related countries (Beamish, 1993).

The Tanzanian government encourages joint ventures between local firms and foreign investors; this also facilitates access to land, which foreigners cannot own. Many foreign firms have recently partnered with the National Development Corporation, Tanzania Petroleum Development Corporation, and the National Housing Corporation, in energy, biofuels, and real estate ventures, for example.(U.S Commercial Service, 2011)

Railways in Tanzania were first built in 1893, when the first rail track was laid at the port of Tanga. Thereafter, construction of railway lines continued to be carried out in other places in Tanzania. In Tanzania, railway services (apart from the TAZARA), were operated by the Tanzania Railways Corporation (TRC), which was established in 1977 after the collapse of the former East African Community. Prior to that, the railways in East Africa were operated under the auspices of the East African Railways and Haboursin 1961-1967 and thereafter East Africa Railways Corporation in 1967-1977 (Railway Assets Holding Company Limited [RAHCO], 2010).

Government of India Enterprise was established in 1974, under the aegis of Indian Railways. RITESwas incorporated in India as a Public Limited Company under the Companies Act, 1956 and is governed by a Board of Directors which includes persons of eminence from various sectors of engineering and management. RITES Ltd., an ISO 9001-2008 company, is a multi-disciplinary consultancy organization in
the fields of transport, infrastructure and related technologies. It provides a comprehensive array of services under a single roof and believes in transfer of technology to client organizations. In overseas projects, RITES actively pursues and develops cooperative links with local consultants / firms, as means of maximum utilization of local resources and as an effective instrument of sharing its expertise.

In 2007 TRC was concessioned to RITES India for a concession period of 25 years and formed a new company named Tanzania Railways Limited (TRL). The company was established under Companies Act No. 12 of 2002, as a private company jointly owned by the Government of Tanzania (GOT) with 49% shares and RITES of India with 51% shares (Sumatra, 2011).

TRL provides railway services for freight and passengers. It handles various types of freight, including containerized cargo, general dry cargo, petroleum products, livestock, and refrigerated cargo. It also provides block train services and transshipment services, as well as operates a customer information center to provide information on passenger and freight services. The running line single Track of TRL is 1,229 km, Sidings is 376 km which makes total of 3,083 km.

TRL operates two passenger train services a week along the Central Line between Dar es Salaam – Kigoma – Dar es salaam. The service gradually will increase to six per week. Three passengers train services per week are run between Tabora and Mpanda.

In freight services TRL cover movement of goods within Tanzania including its exports and imports, also cover movement of goods from/to neighbouring landlocked countries of Burundi, Rwanda, Uganda, The Democratic Republic of Congo and Zambia. A ferry service, the M.V Umoja on Lake Victoria connects to Uganda. Kigoma connects to Burundi and the DRC via ships and barges.

Routing options of TRL are as follows; Dar es Salaam – Mwanza it moves all cargo and petroleum products, Dar es Salaam – Kigoma it moves all cargo and petroleum products, Dar es Salaam – Isaka it moves all cargo, Urambo – Morogoro/Pugu it moves Tobacco and Livestock, Dar es Salaam – Tabora it moves Tobacco, Timber,

In order to cut down time for the information search and find solution to a problem, the center, centrally located to other modes of transport has been established at the Dar es Salaam Commercial Department to cater for information on passenger and freight services such as fares, luggage, freight tariffs, door to door services, transit time, and wagon tracking information.

The block Trains are operated to improve transit times by cutting back on time involved in servicing the trains. The trains can be arranged for a single customer with goods to a single destination or group customers with goods to same destination.

After concessioning agreement, RITES LTD adopted a ten year (2007-2017) business plan based on the plan they had submitted during bidding time in year 2002. The 2007 plan envisaged increasing freight from 0.42 million tonnes in the period between October-December, 2007 to 3.14 million tonnes in 2017. However, contrary to this projection, traffic continued to drop. Consequently, the RITES lead TRL management revised its business plan in June, 2009; with projected 2.0 million tonnes to be moved by 2017, down from the earlier projection of 3.14 million tonnes. However, as was the case of implementation of the earlier plan, likewise freight traffic continued to drop from 577,581 tonnes in year 2007 to 267,008 tonnes in year 2011 (TRL, 2013).

1.2 Statement of the Problem

The former TRC suffered from a long history of mismanagement, under-investment and financial difficulty. The government hoped privatization would lead to improved services, increased productivity and efficiency of railway services, and reduction of costs of the same.

On October 1, 2007 the concession formally began, and the privatized company axed 4,000 staff from the original 7,000 railway workers. In January 2008, labour disputes
started. Six months later thousands of railway workers went on strike after TRL refused to honour the increase of the minimum average monthly wage by 58%.

The government was forced to bail out TRL on several occasions after it failed to meet its salary obligations. However, after concession the performance of TRL continued to deteriorate and the anticipated objective of improving TRL performance was not achieved. Then and the GOT decided to buy back the 51% shares from RITES.

1.3 Objective of the Study

The overall objective of the research is to assess the IJV performance in Tanzania Railways Limited.

1.3.1 Specific objective of the Study

i. To trace the issues related to formation of selected JV
ii. To critically examine the major forces that influenced the direction of JV
iii. To observe the performance of the selected TRL Joint venture
iv. To suggest check-list for future JVs in Tanzania

1.4 Research Questions

1.4.1 Main Research Question

How was the performance of TRL JV?

1.4.2 Specific Research Questions

i. What issues are related to formation of selected JV?
ii. What were the major forces that influenced the direction of JV?
iii. What are subjective assessment of selected TRL JV Performance by TRL local partner and RITES management
iv. How to reduce chances of failure for future JVs in Tanzania?

1.5 Significance of the Study

The study of IJV in Tanzania is important due to increasing number of establishments and value of foreign investment. However, prior studies have mainly
focused their analysis on the JV in developed countries, and their findings cannot be
generalized directly to Tanzania setting. This study helps bridging the gap of knowledge by contributing to the body of knowledge concerning IJV in railway subsector in Tanzania, to expand knowledge of forming and managing a successful JV.

1.5 Scope of the Study
This study assessed the performance of IJV between the Government of Tanzania and Rites consortium of India. The study confined itself on the issues related to formation of JV, factors leading to JV performance failure, major forces that influenced the direction of JV, and suggesting check-list for future JVs in Tanzania. Only TRL management and employees will be taken as a sample of the study.

1.6 Limitation of the Study
The study encountered by some difficulties or limitations that limited the researcher in one way or another and affect the study. The study faced by the following limitations:-

i. Time constraints: For sure two months period was not enough for data collection, and a time of two months in report writing not enough to conduct the study effectively.

ii. Response of respondents: Sometimes respondents were not able to respond on time, which in turn makes difficult to collect information in a right time. Likewise other respondents responded negatively while conducting an interview.

Also the study was limited to fund and inadequate information, for that reason the researcher concentrated only on TRL executives and few former Rites officials who was responsible for during the concession period. To overcome time limitation, the researcher dedicated his personal extra time including weekends and holidays so as to finish the study on time.
1.7 **Organisation of the Study**

This study comprises of five chapters. Chapter one provides the background information of the study defines the research problem and sets forth the purpose, questions, significance and scope of this study.

Chapter two presents a review of the literature. This chapter show how the researcher cited different data from other researchers and writers. The chapter present theoretical and empirical literature review, conceptual framework and finally provides research gap

Chapter three addresses the methods that applied in carrying out the research study, including ways on how data were collected as well as general conduction of the study.

Chapter four (Results and discussion) describes the results of the study quantitatively using, tables, charts and narrations.

Chapter five (Conclusions and Recommendations) presents a summary of the research findings. Areas of future research are indicated to motivate further research on international construction JVs.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter shows how the researcher cited different data from other researchers and writers. The chapter presents theoretical and empirical literature review, conceptual framework and finally provides research gap.

2.2 Theoretical Literature Review

2.2.1 Definition of the Terms

**Joint Venture** is a collaborative arrangement between two or more individuals or organizations. This collaborative arrangement can be broadly defined to include any form of financial, technical, or managerial collaborations.

**An International Joint Venture** is a form of coalition established to pool partner’s complementary capabilities for mutual benefit (Hennart, 1988). However, the cost of sharing control may supersede such benefits (Stopford & Wells 1972; Hladick 1985).

2.2.2 Importance of Joint Venture

A study conducted by World Bank in 1984 showed that nearly 80% of all formal construction projects in the developing countries were accomplished by foreign firms (Simkoko, 1989). It would be politically unwise for the local governments to be seen as totally dependent on foreign contractors to stimulate economic growth in their respective countries without providing sufficient opportunities for the small and medium sized domestic construction firms to participate and learn during the nation building process.

Hence the developing countries see joint ventures as one of the best instruments for meeting the competing interests of national development and the prevention of the domination of the economy by the foreign investors (Sornarajah, 1992). Countries such as Indonesia, Malaysia, Thailand and Philippines do not allow fully owned
foreign subsidiaries to operate within their countries. They require a minimum percentage of local participation in most of business ventures operating in their territories. Malaysia's new economic policy requires a 30% ownership of local Bumiputras, 40% by other Malaysians and only 30% by foreigners. The foreigners can own only up to a maximum of 49% in Indonesia and only up to 40% in the Philippines. Thailand permits foreigners to bid for heavy construction work subject to permission from the Ministry of Commerce. But normal building construction contracts are out of bounds for foreign firms. (The existence of a treaty of amity between Thailand and United States signed in 1968 confers local status to the nationals of each other. Because of this, American firms need not apply for permission to work in Thailand) (Sornarajah, 1992). Only Singapore and Hong Kong, in the Asia-Pacific region, provide free access to foreign firms, as part of their free market policies.

Studies have also shown that in developing countries joint venture investments have been more successful than foreign investments made through other means (Beamish 1988). For American based companies, cooperative arrangements such as joint ventures in developed countries outnumber wholly owned foreign subsidiaries by a margin of four to one (Contractor & Lorange, 1988). Killing (1983) in his study found that Japanese and European firms preferred joint ventures as a mode of entry into developing countries than did American firms. This has changed in the second half of eighties and the Americans are equally enthusiastic about forming joint ventures in the developing countries (Awadzi, 1987).

IJV for a construction project is a form of direct foreign investment. Construction industry cannot use the conventional forms of market penetration such as agents, distributors and licensees, since the nature of the industry precludes their use. Construction firms must rely on direct access to foreign markets either through branch offices, subsidiaries or joint ventures. A JV is the most popular form of entry because of the perceived benefits it brings to the host country through technology transfer, job creation and capital inflow (Sornarajah, 1992).
2.2.3  Major Determinants of Joint Venture Performance

Prior literature has identified twelve important determinants that can influence the performance of a JV. These determinants were chosen on the basis of their choice as a research topic by various researchers. They are motivations for forming a JV, criteria for partner selection, compatibility of objectives, equity control, management control, partner need and commitment, inter partner trust, cooperation, conflict, size compatibility of partner firms and cultural differences.

2.2.3.1 Motivations for forming an international JV

Many researchers have pointed out that MNCs would prefer to operate wholly owned subsidiaries in foreign countries than to share their knowledge with local partners through various forms of cooperative arrangements such as a JV, licensing arrangements etc. (Lacraw, 1984; Beamish, 1984). The very nature of these arrangements present a danger to the MNCS for dissipation of firm specific advantages through sharing of resources.

Despite this natural reluctance to form JVs, JVs are popular in both developed and developing countries (Awadzi, 1987). Killing (1983) established three main reasons for forming international JVs in developed countries. They are: 1) host government persuasion or legislation; (2) partner's needs for other partner's skills; and (3) Partner's needs for other partner's assets. He observed that 17 percent of the JVs in his study were formed due to government persuasion, 64 percent due to the skills needed and 19 percent because of assets possessed by the other partner. Beamish (1984) conducted a similar study in developing countries and found that 57 percent of the JVs were formed due to host government requirements, 38 percent due to the need for other partner's skills and only 5 percent because of the need for other partner's assets. Tomlinson (1970), Janger (1980) and Gullander (1976) all noted that government persuasion or restriction was the main motive for the MNCs to forming a JV.
In the absence of host government interference, the MNCs form JVs with local firms in order to obtain resources from or pool resources with local firms (Awadzi, 1987). Datta (1988) identified five reasons for forming a JV by the MNCs. They are: 1. entering new and potentially profitable markets; 2. sharing greater economic risks in new business ventures; 3. satisfying nationalistic demands and lessening risks of expropriation; 4. maintaining good relations with host governments; and 5. pooling organisational knowhow to realise synergistic benefits.

The literature on motivation of local firms to form JVs is scattered and few. It is generally accepted that one of the primary reasons for the local firms to form JVs is to acquire technology. Reynolds (1984) in his study of Indian JVs with Americans noted that the Indian partners considered technology assistance from American partners as important. Freidman and Beguin (1971) observed that risk sharing and access to foreign capital are also important motives for local firms to consider formation of JVs with foreign partners.

They also identified five major objectives sought by host governments. They were:

1. Integration of the JV in the national economic plan;
2. Financial contribution of the foreign investor to the JV;
3. Local Manpower training, including training of managerial and non-managerial workers;
4. Development of import substitution and or export promotion industries;
5. A share in the large-scale social development projects with large MNCs.

Whatever may be the motivation for forming a JV, one has to recognise that there are additional costs involved in forming and operating a JV. It is only when the benefits accrued from forming a JV exceeds the cost, then only the JV can be stable (Beamish, 1984).

2.2.4.2 Criteria for Partner Selection

Many researchers have suggested that the choice of a partner may be an important variable influencing the performance of a JV, since it influences the mix of skills and resources which will be available to the venture and thus the JV’s ability to achieve its strategic objectives (Peterson & Shimada, 1978; Tomlinson, 1970; Walmsley,
1982; Killing, 1983). These researchers have also highlighted the difficulties in choosing the right partner. Killing (1983) compares the recommendations about selecting a JV partner to that of recommending to one's daughter the kind of man she should marry. He argues, “One of the greatest problems in partner selection is that many of the characteristics which one might be willing to agree are generally desirable, such as honesty, dependability and trustworthiness, typically only become evident in times of stress, such as in the middle of the crisis three years after the venture has been formed”.

Tomlinson (1970) who did the pioneering study in this aspect, examined six categories of selection criteria. These were:

1. Pressure to select a specific partner due to the host government's direct or indirect directives or regulations;
2. Specific facilities possessed by the local firm, such as plant, marketing or distribution facilities or a strong market position;
3. Local resources of managerial and technical personnel, materials, components, or local capital;
4. Status and capability of the associate in dealing with local authorities and public relations.
5. Favourable past association as agent, customer, licensee or as a partner in other undertakings; and
6. Ability to provide a local identity.

Tomlinson's (1970) research identified that MNCs who possessed resources that the host government considered important to its development were able to choose their partners freely. He also noted that past association was the most important for selecting a particular partner. While Tomlinson (1970) considered the categories of facilities, resources, partner status and forced choice as equally important criteria for selection, he found that MNCs did not consider local identity as an important criterion.

The most comprehensive work on partner selection was conducted by Geringer (1986). He distinguished between criteria associated with the operational skills and
resources which a venture requires for its competitive success (he termed these as task-related criteria) and criteria associated with the efficiency and effectiveness of partners' cooperation (he termed these as partner-related criteria). His research study which included interviews with senior executives of 90 JVs that were operating in the U.S.A., noted that many JVs did not conduct a systematic partner selection process. He noted that several JV partners were primarily identified through a chance meeting at a trade fair, a comment noted in a newspaper, a meeting resulting from executives having adjoining seats on an aeroplane flight etc. He observed that successful JVs however employed a systematic two stage screening process. They first screened the potential partner on complementarity on task-related dimensions and only when the potential candidate satisfied these criteria, did the firm proceed to check the potential partner's ability to satisfy partner-related dimensions. Geringer (1986) noted that partner-related criteria such as compatible management, trust and commitment and cultural differences are very complex issues and can only be evaluated subjectively.

The only reason for a firm to pursue a JV is that it is the best route to achieve a particular objective. The partner selection process must be preceded by clear definition of what are critical needs that is expected to be provided by the potential partner in order to achieve the chosen objectives. One should not expect a perfect match. But an orderly selection process should be able to present the firm with a choice of potentially compatible partners to choose from.

2.2.4.3 Compatibility of Objectives

Tomlinson (1970), Simiar (1982) and Tung (1984) have all suggested that the success of a JV primarily depends on compatibility of the partners' objectives. In their opinion JVs are primarily formed to maximise the partners' joint objectives. However it is not uncommon that there will be conflict of interest between the joint objectives and partners' individual objectives often affecting the smooth operation of the JV.

Chowdury (1989) observed that the discrepancy in the primary objectives of parent firms of the JVs might arise from a) difference in partners' cultural backgrounds; b)
incompatible characteristics of the parents (e.g., functions, size, resources and orientations); and c) changes in the parent firms' or JV's environment since the establishment of the JV. Wright (1979) and Simiar (1982) were of the view that differences in cultural backgrounds of partners as reflected in norms, expectations, business philosophies and policies can result in goal incongruence. Simiar (1982) observed in his study of Iranian JVs with MNCs that the global orientation of the MNCs often clashed with the local emphasis of the local partner.

Yashino (1968) and Tung (1984) who have extensively studied JVs between Japanese firms and Western MNCs viewed goal incongruence often occurred due to disparity between primary benefits expected by the parents. For example, if the primary objective of the MNC is to establish a presence in the host country and the local partner's primary objective is to generate quick profit, these two conflicting objectives are likely to cause friction between the partners. In such situations, attainment of goals by one partner would result in the reduction of goal achievement by the other partner.

2.2.4.4 Equity Control

The level of equity ownership in a JV by each partner is often the result of a lengthy and tedious negotiation process. Many MNCs and local firms equate equity position with control over critical functions and decisions in the JV. Several researchers have established correlation between equity ownership and performance of JVs. Killing (1982) and Schaan (1983) conducted in-depth interviews with senior executives of a small number of JVs to determine the relationship between performance and equity ownership. They found that JVs in which the MNCs held a minority or majority share performed better than the JVs in which the partners held roughly equal shares.

Lacraw (1984) studied the equity ownership obtained by 153 MNCs in JVs with partners in seven ASEAN countries. He found that MNCs who possessed and contributed critical resources to the JVs demanded and obtained majority ownership in the JV. This supported the findings of Freidman and Beguin (1971) who also found that MNCs were particular in obtaining majority ownership if the JV was to
deal with complex technology previously developed by the MNC. He supported Killing and Schaan's findings that JVs who had equal ownership performed poorly compared to the JVs in which MNCs had majority ownership.

But researchers (Kojima, 1973, Ozawa 1978) who extensively studied Japanese JVs in Asia noted that Japanese firms, despite taking a lower share of equity ownership, managed to retain control over the operations of the JV. Lacraw (1984) also noted similar patterns among the Japanese firms who through control of critical resources managed to control the operation of the JVs.

The evidence from this review is that majority equity ownership is neither necessary nor sufficient for maintaining effective control. Control is not an issue as long as MNCs have a majority ownership but it becomes one when equity ownership is shared as in the case of a 50-50 joint venture or where a MNC has a minority ownership share and the local partner desires to implement decisions contrary to the interests of the MNC.

2.2.4.5 Management Control

In their pioneering research on management control of JVs, Freidman and Kolmanoff (1961) distinguished between "voting control" or de jure control, through majority voting rights, and de facto control, which is the managerial control a partner actually exercises. They found that MNCs effectively controlled the JVs of which they are partners through supplementary agreements, representation on the board of directors and veto power over critical decisions. Schaan (1983) in his study of Mexican-Canadian JVs, found that MNCs focused on controlling specific tasks rather than trying to win overall control of the entire operations. He also found that the MNCs used both positive and negative control mechanisms to get their way. They used positive control whenever they were in a position to influence the decisions in accordance with their overall objectives and used negative control to block decisions that would undermine their authority.

Hayashi (1978), who extensively researched into Japanese JVs found that they exercised a significant influence on the JVs through strategic placement of their
personnel in key positions. He noted that even in situations where the host government restricted the number of expatriate staff, they brought their staff into the project as "Technical Advisors" to the local managers. He observed that the Japanese unlike the Westerners, were more concerned with the managerial control of the JV than with equity control.

The literature is divided regarding the influence of foreign partner's control on JV performance. Researchers such as Killing (1983) and Schaan (1984) generally concluded that foreign partner control was positively correlated with the success of the JV. However, researchers such as Tomlinson (1970) and Beamish (1984) found a negative correlation between foreign partner control and JV performance.

These apparent contradictory results may be the result of the partners failing to distinguish between controlling the direction of the venture and control of day to day operations of a particular project undertaken by the TV. Andrews (1984) suggests that this distinction is essential for JVs to succeed.

It can be concluded from this review that management control has an influence on TV performance. The final outcome of the influence is dependent on the mechanisms used to retain effective management control and complexity of the project undertaken.

2.2.4.6 Partner Need

Beamish and Lane (1983) were the first researchers to establish partner need, the longterm mutual need between the partners for each other's resources and contributions as an important determinant of JV performance. Beamish (1984, 1988) established through his extensive study of international JVs in developing countries the partners have expressed mutual need for the following types of resources: human resources, market access, government or political access, and specialised skills or knowledge. He studied the relationship between performance and partner need and concluded that partners of successful JVs showed a long-term need for each other's contributions while the unstable ones were characterized by short-term emphasis on partners' contributions. He further concluded that successful JVs were
characterized by strong partner need while the unsuccessful ones showed a weak need for partners' contributions.

JV performance literature correctly points out that mutual long-term need between partners will have a positive influence on the performance of the JV. There is no need to form a JV if there is no need for a partner. JVs that are formed only to comply with host government regulations may perform poorly since in such ventures the foreign firm may not consider the contributions of the local partner as important.

2.2.4.7 Partner Commitment

Tomlinson and Thompson (1977) defined 'commitment" in terms of whether the MNCs perceived the JV with a local partner as a significant part of their global strategy. They observed on the basis of a study of 11 Canadian JVs in Mexico, that commitment is a very important determinant of a JV's success. Tomlinson and Willie (1978) extended this research to study the relationship of commitment to the JV by both local and foreign partners. They noted that commitment to provide on a long-term basis, resources and capabilities to the specific needs of the JV is an important prerequisite for its success.

Beamish and Lane (1983) and later Beamish (1984, 1988) extensively studied the relationship between commitment and JV performance. Beamish and Lane (1983) studied the relationship between commitment and JV performance in 37 Canadian and Mexican JVs and Beamish studied the same relationship in 16 international JVs in developing countries. Their study supported the major conclusions of Tomlinson's (1970) earlier studies, that there is a positive relationship between commitment and JV performance.

In order for the JV to succeed, all the partners to the JV agreement should have a total commitment to the JV as well as to each other. Without need there is no commitment and without commitment the performance of the JV will inevitably suffer.
2.2.4.8 Inter-partner Trust

Some of the studies that examined the relationship between trust and JV performance concentrated on international JVs between U.S. and Japanese firms (Peterson & Shimada, 1978; Tung, 1984). These researchers identified mutual trust as an important variable affecting the success or failure of a JV.

Peterson and Shimada (1978) who studied Japanese-American JVs found that the Japanese placed heavy emphasis on mutual trust in their relationship with their American partners. Peterson and Shimada (1978) observed that the Japanese considered contractual provisions as mere intentions than strict obligations and this, they attributed to the nature of Japanese culture. Peterson and Sullivan (1982) found that Americans on the other hand placed heavy emphasis on formal and binding contracts to conduct their business with their Japanese partners. This behaviour can also be traced to the American culture. Peterson and Sullivan (1982) confirmed through their research that perception of trust is directly related to cultural backgrounds of the partners.

It is not possible to conducting a JV business based purely on trust or on a heavy reliance on the conditions of the JV agreement. It is not possible to draw a set of clauses that would take every future contingency into account. Mutual trust is essential to overcome the limitations of the contractual agreement.

2.2.4.9 Size Compatibility of Partner Firms

Franko (1971) studied the relationship between the size of the partner firms and JV stability. He observed that larger firms who have a high risk-bearing capacity, were naturally reluctant to form a JV. In cases where they had formed JVs with local partners only to satisfy regulatory needs of host governments to facilitate market entry, such ventures he hypothesised would be very unstable and were likely to be dissolved. However, Franko (1971) could not conclusively prove his hypothesis.

A few researchers studied the relationship between partners' relative sizes and JV performance. Davidson (1982) suggests that in a large-small pairing, the larger partner may find it difficult to keep its entire focus on the activities of the JV. The
relative size might also result in different attitudes toward disposition of profits. The larger partner may prefer growth compared to dividend payout while the small partner may prefer just the opposite.

The findings of Roulac (1990) are used here to summarise the effect of inter-partner size on JV performance. He cited several reasons why a small-large pairing can result in JV instability. Indifference to the operational problems of the JV by the large partner may have serious consequences on the smaller partner whose resources and revenue expectations are closely tied to the JV project. If the project demands the contribution of additional resources to resolve the existing problem, the smaller partner may find it very difficult to contribute its share of the required additional resources. This may result in the ultimate collapse of the venture itself.

2.2.4.10 Cooperation/Conflict

The review of the effect of cooperation/conflict on JV performance has been a popular topic for many researchers. Beamish & Lane (1982) studied the effect of conflict on 31 JVs in developing countries and identified 58 different problems resulting from conflict between partners. Some of the key variables causing conflict identified by Beamish & Lane (1982) were: partner's eventual dispensability; one or both partners' use of JV as a training ground; short-term commitment of one or both partners' to the JV; disparity of goals and long-term vs short-term performance needs. Simiar's (1983) research supported Beamish & Lane's (1982) arguments that goal incongruence caused severe conflicts.

Awadzi (1987) studied the power of one partner to interfere with the goal attainment of another partner and noted that conflict is possible only when the interfering party has some power. It follows from this argument that more resources one partner contributes relative to the other partner, the more power the partner would have to influence and/or interfere with the attainment of the other party's goals (Awadzi, 1987).

Task interdependence can also be a serious source of conflict. The greater the task
interdependence among partners, the greater the potential for conflict. Another source of potential conflict is need to share resources. The JV can run into rough weather if one of the partners does not want to share its resources for fear of losing their firm-specific advantages. Killing (1982) has observed that power sharing arrangements can also be a source of conflict. He concludes that conflict is more likely to develop when power is equally balanced. Awadzi (1987) supports this finding through his study on JV. He observes that where power is unbalanced, there is less potential for conflict.

2.2.4.11 Cultural Differences

JVs develop their own culture with contributions from the partners, but also with whatever cultural values other organisational members bring with them. It is this process of culture in action, i.e. the development of a new culture for the JV, which is a source of many conflicts, and a major contributor to the failure of many JVs. The influence of culture is felt in various aspects of JV formation and operation. Compatible objectives are difficult to establish between partners who come from different cultures. Culture plays a significant role in the partner selection process. Cooperation and coordination, two critical variables for the success of joint venture operations can be impossible when cultural conflicts surface.

No literature review on culture is complete without reviewing the work of Hofstede's (1980). He defined culture as, "the collective programming of the human mind, obtained in the course of life, which is common to the members of one group as opposed to the another" (Hofstede, 1980, p 61). On the basis of survey of over 16,000 employees of IBM in 50 countries and the application of an extensive method of factor analysis, Hofstede (1980) grouped the employees according to similarities on four specific dimensions of culture: Individualism-Collectivism, Power Distance, Uncertainty Avoidance and Masculinity.

2.2.4 Measurement of Joint Venture Performance

Awadzi (1987) highlighted three problem areas associated with the measurement of JV performance. Firstly there is no general consensus on the definition of JV
performance. Secondly, the researchers used different terms to refer to JV performance. Dang (1977), Beamish (1984), Awadzi (1987) and Tillman (1990) used the term "performance" while Killing (1983), Schaan (1983), Lacraw (1984) and Chowdhury used the terms "success" and "failure" to refer to JV performance. Franko (1971) and Raveed (1980) used the term "survival" to refer to JV performance. Thirdly the measures used for measuring JV performance also varied significantly among the researchers. These measures are classified into three categories. Some researchers like Dang (1977) and Renforth and Raveed (1980) used financial measures to evaluate JV performance. Some of the financial data studied included a) return on sales; b) return on assets; c) sales growth; and d) productivity improvements etc. Despite the usage of a large number of financial ratios, these researchers could not differentiate between good and bad performance. Killing (1983) also warned against using financial ratios to compare and rank various JVs, since the policies and accounting standards used in preparing the financial data by the individual firms may be significantly different.

Researchers like Lacraw (1984), Awadzi (1987) and Tillman (1990) used a combination of financial and non-financial measures to judge a JV's performance. Lacraw (1984) measured success of JV through measuring the profitability of JV and the performance of JV as rated by the foreign partner. Awadzi (1987) devised a composite performance index that included both financial and non-financial measures. He used the non-financial measures such as meeting partners’ objectives to measure internal performance and used the performance index to compare the JV’s performance with that of the industry in which it operates. Tillman (1990) used the same criteria applied by Lacraw and Awadzi to measure the performance of Japanese-Thai JVs.

The third category of researchers use subjective criteria to measure the performance of JVs. Franko (1971) tried to use the concept of survival to define JV performance. He associated poor performance with the change in the ratio of equity contributions of the partners over the life of the JV. A JV is considered unstable if one of the partners a) significantly increased its share of equity; b) significantly reduced its
share of equity; or c) completely exited from the JV. Killing (1983) asked the JV managers to rate the performance of the JV based on their judgements. He considered a JV to be successful even if only one partner was satisfied. Schaan (1983) imposed a much stricter criteria for measuring success and defined JV success as the ability of the JV to meet the expectations of all partners at the same time. Beamish (1984) agreed with Schaan's (1983) assessment of JV performance. He considered the JV as a failure if one partner considers the final outcome from the JV did not meet its original objectives.

The review of literature reveals the difficulties in defining and measuring JV performance. Schaan (1983) identified three problem areas related to defining and measuring JV performance. First, the partners of the JV choose specific criteria suited to their own particular JV. The criteria used by one local partner differs from another. There are also differences from one foreign partner to another. Second, there is no standard definition available or used to define the specific criteria applied. Third, the assessment criteria used by the partners changed over the life cycle of the JV.

This study uses the subjective measures for JV performance recommended by Beamish (1984), Killing (1982) and Schaan (1983). For the purpose of this study, satisfactory JV performance is recognised if one of the partners considers that he has achieved his primary objectives. The reasons for choosing this approach are explained in the next chapter on Research Method.

2.3 Empirical Literature Review

Robson, Leonidou and Katsilkeas (2002) review some 91 articles drawn from a variety of different sources, most commonly the leading journals in international business and management. While the authors were concerned with a variety of potential drivers of IJV performance and not just cultural distance, they summarize empirical findings specifically relevant to the influence of socio-cultural distance. They conclude that the impact of socio-cultural distance on IJV performance is unclear. In particular, findings differ across measures of IJV performance. Except for a few studies, there is consensus that partners’ cultural distance is inversely related to
IJV stability, while no significant link exists between socio-cultural distance and financial IJV performance. For multi-dimensional IJV performance measures, one major study finds that socio-cultural similarity improves performance, while others find either no association, or a positive association, between socio-cultural distance and performance.

Nippa, Beechler and Klossek (2006) present a qualitative review of empirical studies of the success factors in IJVs. Their review spans the period 1991-2005 and is based on a review of top-ranked empirically oriented management journals. The studies they review examine success factors for Sino-foreign joint ventures, as well as success factors of IJVs in countries other than China. Although cultural distance between foreign and local parents is the single most empirically tested factor in the studies reviewed, findings regarding correlations between cultural distance and performance are mixed. On balance, cultural distance is not a consistently important factor influencing IJV performance. Rather, personal relationships, trust and cooperative decision-making are the most important predictors of success in both samples of IJVs.

Ren, Gray and Kim (2009) review 54 studies published in empirically oriented management journals. They identify five different IJV performance measures and ten important determinants of performance including cultural differences. They conclude that the impact of similarity of partners’ national cultures on IJV performance is uncertain and suggest that the impact of cultural distance on IJV performance might depend upon how cultural distance is measured. Specifically, they argue that because organizations are embedded in the larger societies in which they operate, research on cultural differences of IJVs should examine both the national and organizational cultures of the IJV’s parent firms.

Beamish and Lupton (2009) review some 86 articles published between 1982 and 2006. While they did not focus specifically on the linkage between cultural distance and joint venture performance, they conclude that available research on the impact of cultural differences on IJV performance has produced mixed results. They suggest that the inconclusive results may reflect the fact that different cultural traits are
moderated to a greater or lesser extent by actions undertaken by one or both partners. For example, in some IJVs, issues related to cultural differences may be mitigated by training expatriate managers adequately before sending them on assignment to a foreign joint venture. This assertion is similar to Shah and Swaminathan’s (2008) suggestion that the linkage between cultural differences and IJV performance is indirect. Specifically, cultural differences mediate the partner selection process which, in turn, helps determine the magnitude of the key factors influencing strategic alliance performance.

Finally, Reus and Rottig (2009) conduct a full scale meta-analysis of IJV performance determinants using a sample drawn from 66 studies published in a variety of academic journals, book chapters and working papers. The study focuses specifically on the roles of cultural distance, hierarchical control, partner conflict, and commitment in determining IJV performance. A hypothesized path model where cultural distance increases conflict leading to negative performance is advanced and tested. The results indicate that cultural distance between partners of IJVs tends to increase the likelihood of conflict, which, in turn, adversely affects performance (although this latter relationship was not significant for a subsample of Chinese IJVs).

2.3 Conceptual Framework

The framework underlying the scope of this guide is the ‘Framework for Joint Venture Analysis’. It was developed by Sridharan (1995) from a thesis presented to the University of London as part of the requirement for the fulfillment of the degree of Doctor of Philosophy. The relationships depicted in the model form the basis of the research hypotheses to be developed in the next section. The model is an attempt to explain the dynamic nature of JVs.
**Outline of the Model**

The IJV performance is achieved by links between independent variable such as JV performance and dependent variables; host government strategy, JV partner’s strategy, JV partner’s objectives and choice of partners. The satisfactory JV performance in every JV depends on host government regulations and attitudes, since they often leave little choice for the foreign firm but to form a JV with a local firm if it is interested in entering the local market, also how divergent objectives of partners are addressed during the JV negotiation and the formation of the conditions of the JV agreement.

But in addition there should also be factors which will assist the achievement of satisfactory performance of the JV, these are mediating factors. These factors include local partner task related inputs, foreign partner task related input and partner related integration.

**2.4 Research Gap**

By considering the above empirical literature review its evident that a good number of similar research have been done, but there is no published documents that indicate that the same research have been done at TRL. Therefore the data to be collected for this study, the conclusion and recommendation will cover the gap and provides strong suggestion on the IJV performance for TRL management.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Under this chapter various aspect have been addressed on the methods that was applied in carrying out the research study, including ways on how data were collected as well as general conduction of the study. This chapter describes the study design, study area, sampling technique, sample size, and data collection techniques as well as data analysis.

3.2 Area of the Study

The study was conducted in Dar es Salaam, at TRL headquarters. Dar es Salaam is located at 6 48’South 39 17’ East (-6.8000, 39.2833). TRL was selected because it previously provided railway services for freight and passengers in Central Line between Dar es Salaam – Kigoma – Dar es salaam in concession to RITES of India, and hence an ideal place for studying performance of International Joint Venture.

3.3 Study Design

The design for this study was a case study, which aimed at examining the performance of IJV. Case studies involve measuring and studying what is there and how it got there. They enable the researcher to explore, understand and unravel problems, issues and relationships.

Adam and Kamuzora (2007:80) defined case study as an intensive description and analysis of a single situation. Normally, a case study focuses on particular cases and is able to provide some conclusions. The case study method is preferable to other methods for the reasons discussed below.

First: the case study approach is intensive in nature. It studies a unit in its entirety. It is very helpful when one is seeking help on a problem in which interrelationships of a number of factors are involved, and in which it is difficult to understand the individual factors without considering their relationships with each other.
Second: a case study is a description of a real event or situation, unlike other studies which may involve abstraction from real situations. As a result of the longer intimate association of the researcher and respondents, it may be possible to probe deeper into the issues that are under investigation.

This method, like other research methods, is not without its limitations. The conclusions reached by these methods cannot be statistically verified. As case studies involve detailed description of complex situations, it is difficult to develop formal methods of observation and recording. Informal methods tend to become subjective rather than objective. Despite the shortcomings of this method, it is the only method that can penetrate complex issues such as human relationships, the emergence and resolutions of conflict, unexpressed feelings and expectations which require intensive observation to avoid neglect of significant details (Hyder, 1988).

As suggested by Kothari (2004), one of the characteristics of this method is that the researcher can take a single social unit or more of such units for his/her study purpose and may even take a situation to study the same comprehensively. Therefore, in this study the researcher investigated one social unity (Tanzania Railways Limited).

### 3.4 Study Population

The targeted population of the study was TRL management and employees. The total number of company workers is approximately 3,000 employees. TRL management and employees were taken as study population since the study uses case study design and TRL is the area of the study.

### 3.5 The Sample Size

A sample is representative group drawn from the population in such a way that the findings from the sample can be generalized on population. Also it can be explained as a small group of subjects drawn from the population in which a researcher is interested in gaining information from drawing conclusions about the universe (Kothari, 2003).
This study interviewed 27 respondents from the study area including 25 employees and Management and two former RITES managers. The sample size is 0.83% of the total number of company employees.

### Table 3.1
Sample Size Distribution

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Planning</td>
<td>3</td>
</tr>
<tr>
<td>Rail Transportation</td>
<td>11</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>9</td>
</tr>
<tr>
<td>Mechanical Engineering</td>
<td>2</td>
</tr>
<tr>
<td>Former RITES Management</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>

3.6 Sampling Techniques

This is the process of choosing the elements of the sample so as to make it representative of the population (Barreiro and Albandoz, 2001). The selected respondents constitute what is technically called a ‘sample’ and the selection process is called ‘sampling technique’ (Kothari, 2004). The study used purposive sampling and Snowball sampling technique.

3.6.1 Purposive Sampling

Purposive sampling is the one in which the person who is selecting the sample is who tries to make the sample representative, depending on his opinion or purpose, thus being the representation subjective (Barreiro and Albandoz, 2001). When population elements are selected for inclusion in the sample based on the ease of access, it can be called convenience sampling (Kothari, 2004).
The technique used because some employee were not available at the time of data collection, or others were assigned out of the office task, and some of them were too busy, therefore the employees available were selected to take part in the study.

### Table 3.2

**Purposive sampling**

<table>
<thead>
<tr>
<th>Department</th>
<th>Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Planning</td>
<td>3</td>
<td>8.7</td>
</tr>
<tr>
<td>Rail Transportation</td>
<td>11</td>
<td>39.1</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>9</td>
<td>34.8</td>
</tr>
<tr>
<td>Mechanical engineering</td>
<td>2</td>
<td>8.7</td>
</tr>
<tr>
<td>Former RITES Management</td>
<td>2</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.6.2  **Snowball sampling**

Snowball sampling is a special non probability method for developing a research sample where existing study subjects recruit future subjects from among their acquaintances. This sampling technique is often used in hidden populations which are difficult for researchers to access or in cases where a sampling frame is hard to establish and it is assumed (Katz, 2006). Snowball sampling in selecting key informant and management, the each manager as a key informant was asked to identify another informant among their acquaintances, and this technique used because it was difficult for the researcher to access managers, but one manager directed a researcher to another manager and senior employee.
Table 3.3

<table>
<thead>
<tr>
<th>Department</th>
<th>Management</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Transportation</td>
<td>11</td>
<td>36.4</td>
</tr>
<tr>
<td>Commercial Services</td>
<td>9</td>
<td>27.3</td>
</tr>
<tr>
<td>Corporate Planning</td>
<td>3</td>
<td>18.2</td>
</tr>
<tr>
<td>Mechanical engineering</td>
<td>2</td>
<td>9.1</td>
</tr>
<tr>
<td>Former RITES Management</td>
<td>2</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.7 Data Collection Methods and Technique Used

In order to get reliable data, the study used both primary and secondary data sources of information. From primary data, interview and observation data collection techniques were employed. Secondary data were collected through, library search from published materials and internet/website.

3.7.1 Primary Data Collection

The primary data refers to the information which will be collected afresh and for the first time, and thus happen to be original in character. They are named primary because they are unsullied and have not been manipulated by any other person.

Such data provided by the subjects in the sample through the scheduled interactions by using the well preferred tools. Various tools and obtain the primary through schedules (Kothari, 2004).

3.7.1.1 Interview

The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2004). This involves verbal interaction between the researcher and respondent.
This study used both personal interviews and telephone interviews. All the interviews were conducted in Swahili language because most of the respondents are fluent in this language which makes communication process easier, it also provides an opportunity for clarification where questions directed to the respondent are unclear. Through interviews the study was able to ask many questions as much as possible. Also the approach made a researcher possible for the interviewees to reveal more information in the course of interview session and the researcher to seek more clarification whenever deemed to be necessary. The researcher involves employees, management. Researcher made appointment with respondents; each respondent was interviewed separately.

3.7.1.2 Questionnaire

A questionnaire refers to questions printed or typed in a definite order on a form or set of forms, the respondents have to answer the questions on their own (Kothari, 2004). The majority of research studies on JVs reviewed by the current researcher relied on statistical techniques to derive a correlation between the dependent variable, performance of the JV and specific independent variables (Harrigan, 1986; Geringer, 1987; Awadzi, 1987; Chowdury, 1989; Tilman, 1990).

The results derived from such methods show the relationship between the two variables at a single point in time. Such methods, to a large extent, rely on quantity of information rather than quality for establishing a relationship between the dependent and independent variables.

Geringer (1987) who used several univariate and multivariate statistical techniques in his research on criteria for partner selection, lists a number of potential bias that can creep into the sample data. Some of them are: sample composition; interviewer bias; recording of data; statistical conclusion validity; and interpretation of results. In his recommendation for future research on JVs, Geringer (1987) suggests: "A potentially interesting study would be for a researcher to use a longitudinal field study design to examine one or, better yet, several proposed joint ventures from their initial study through formation. A longitudinal study could be a particularly suitable methodology
for accomplishing that end, due to its potentially greater ability for capturing the dynamic, as well as the static, element of interrelationships between partners" (p 524)

The current researcher agrees with Geringer's (1987) recommendation that a meaningful study of JV performance can only be carried out through intense study of the interactions between partners therefore questionnaires will not be used as the method of data collection.

3.7.1.3 Observation

As elaborated by Kothari (1985:118), “…observation is a technique that involves systematically selecting, watching and recording behaviors and characteristics of living beings, objects and phenomenon…” This method was applied when interviewing TRL employees and Management. It enabled the researcher to observe hidden messages through respondent’s facial expression, gestures, and body movements relating with the reply so as to interpret the actual meaning and real life situation through appearance.

3.7.2 Secondary Data Collection

There was data obtained from literature sources or data collected by other people for some other purpose. The data provided second hand information and include both raw data and published ones. Some of data collected and stored by organization included details on the payroll, income statement, and copies of letters and minutes of meetings, newspaper, journals and textbooks (Saunders et al, 2000) According to Kothari (2004), Secondary data means data that has already been collected and analyzed by someone else.

3.7.2.1 Document Review

Document analysis consists of analyzing the contents of documentary materialssuch as company’s policy, company performance reports and the contents of all other verbal materials which can be either spoken or printed. Thus, reading company’s reports and then reporting on the content, as in a book review, is not document review. This study reviewed a number of documents necessary for adding up information obtained from interview method. The researcher used only related
documents. The purpose of documentary analysis in this study is to supplement primary data.

The researcher had access to the archives of records of the client and thorough search of documents will be made to establish independent verification of facts presented in this research. Further verifications will be sought through a search of published articles in the local newspapers and regional journals.

3.8 Data processing and Analysis

For the purpose of this study collected data were analyzed by using software and data cleaning procedure which is statistics package for social science (SPSSpackage). Calculations of percentages was done in different categories and interpreted to analyze the trend of data in order to come up with valid conclusions. Charts were used to provide a quick picture of different situations observed from the collected data.

Coding; this was done in order to ensure whether the response categories will appropriately classified and exhausted to the problem under the study and arrange data collected according to group or classes they base on the basis of their common characteristics.

Tabulation, this was done to assemble data into concise and logical order. The researcher analyzed collected data qualitatively where words were used to explain findings and quantitative analysis where the data use numbers, computation of total and percentages, data analysis will base on research objectives.

3.7 Reliability and Validity

Reliability refers to ability to obtain similar results by measuring an object, trait or construct with independent but comparable measures(Kothari, 2003). This was determined as in measurement procedures, toa certain whether or not the quality of an instrument to produce the same results when employed under the same conditions is attained.
Validity is the ability of the measuring instruments or research study to measure what it claims to measure. To ensure validity, the measuring instrument (Interview Guide Questions) was pilot tested so as to able to refine it and ensure that respondents did not have any problem in responding to the questions. It ensured, to a certain extent, validity of questions and reliability of data to be collected.

3.8 Ethical consideration

Permission to conduct this study was sought from Directorate of Post–graduate studies of Mzumbe University (DBS). Then, permission to interview study participants was granted from Chief of Manpower Development and Administration. Oral Informed consent was taken from all study participants prior the interview. Participants were clearly explained that, information collected was confidential and would be used for the purposes of the study and not otherwise. Moreover, respondents were given right to agree or disagree to participate in the study at their own discretion.
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

The chapter presents what has been described by respondents. It entails data presentation, analysis and discussion from the area of the study. The objective of this chapter is to discuss the findings of study and come out with relevant solutions regarding to the statement of the problem, answer on the research questions and lastly objectives should be attained. The findings presented are analyzed results from 25 respondents from TRL.

This part deals with the findings and discussions of the findings obtained from the study. The reflection was on the statement of the problem and objective of the study. The overall objective of the research is to assess the IJV performance in Tanzania from a case from Tanzania Railways Limited, to trace the issues related to formation of JV, to examine critically the major forces that influenced the direction of JV, identify the factors leading to JV performance failure, and suggesting check-list for future JVs in Tanzania.

The formulated questions guided the researcher in formulating interview guide questions and conducting interviews with respondents. Also research questions and statement of the problem helped the researcher in obtaining data.

4.1.1 Demographic characterizes of the respondents

Demographic characteristics of the respondent’s variables (age, area of professionalism, working department working experience in the organization) were analyzed into details.

4.1.2 Age of the respondents

Results of the study have shown that most of the respondents had age between 40-50 years and few are below 30 years. This suggest that respondents were matured enough to participate into the study and the responses provided are valid.
4.1.5 Response Rate

In reflection to this study, survey’s response rate is the result of dividing the number of people who were interviewed by the total number of people in the sample who were eligible to participate and should have been interviewed. All response rates can give rise to sampling bias if the nonresponsive is unequal among the participants regarding exposure and outcome.

Therefore, the number of people who were interviewed at TRL is divided by the number of people in the sample, and it is usually expressed in the form of a percentage. See Table 4.3 Reflecting on the above Figure 4.1 a total of 25 respondents was consulted. The total response rate is 100% which is valid response rate. This shows there was readiness of respondents to give information with the relation to the study. It is the researcher’s opinion that the information provided is submissive to the study on hand.

Therefore, the research used the information in order to fulfill the study objectives.

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Planning and Management Services Officers</td>
<td>2</td>
<td>7.4</td>
</tr>
<tr>
<td>Rail Transportation officers</td>
<td>10</td>
<td>37</td>
</tr>
<tr>
<td>Commercial officers</td>
<td>8</td>
<td>29.6</td>
</tr>
<tr>
<td>Mechanical Engineering</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Department Chiefs</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td>Former RITES Management</td>
<td>2</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.1.6 Respondents’ Work Experience

The research was of the opinion that the respondents’ work experience on TRL was of much importance due to the fact that work experience improves performance and knowledge. It was revealed that the TRL is managed by individuals who are well experienced in working.

Therefore, majority of the workers had enough experience of working in Railway Transportation and Joint Venture. See the table below:-

<table>
<thead>
<tr>
<th>Table 4.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents’ Work Experience in the Railways Transportation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Work Experience</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4 Years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5-10 Years</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Above 10 Years</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.4 above represent the working experience of the respondents where by 0% of the respondents is having 1-4 years’ in working experience in the TRL 32% of the respondents is having 5-10 years of experience and lastly 68% of the respondents is having above 10 years of working experience in the TRL.

4.2 Issues related to formation of JV

4.2.1 Objectives of the JV

Many researchers have observed that JV that have performed satisfactorily usually have partners with compatible objectives. In order to determine the compatibility of their mutual objectives, the two groups were asked to assess on a scale of 1 to 7, the importance of each objective from a pre-prepared list. If the objective received a score of 1, it was considered least important. If it received a score of 7 it was considered as most important. The average score received by each objective was then
calculated on the basis of the responses received from the respective Joint Venture part. These average scores were then used to rank the objectives. These results are presented in Tables 4.3and 4.4respectively.

4.2.1.1 Objectives of RITES

The important objectives, as identified by the RITES consortium of India who participated in this case study are presented below in Table 4.3. These are listed in the order of their importance to the RITES.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Key motives for forming JV</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enter New Market</td>
<td>5.2</td>
</tr>
<tr>
<td>2</td>
<td>Protect International market share</td>
<td>5.0</td>
</tr>
<tr>
<td>3</td>
<td>Match Competition</td>
<td>4.9</td>
</tr>
<tr>
<td>4</td>
<td>Effective Resource Utilization</td>
<td>4.8</td>
</tr>
<tr>
<td>5</td>
<td>Avail of Partner’s Local Knowledge</td>
<td>4.0</td>
</tr>
<tr>
<td>6</td>
<td>Spread Commercial risk</td>
<td>3.6</td>
</tr>
<tr>
<td>7</td>
<td>Government Incentives</td>
<td>3.5</td>
</tr>
</tbody>
</table>

RITES rated enteringto new marketas the primary motive for forming the JV. They set privatisation and concessions Sub unit in April 1999 to capture the newly emerging business of Privatisation of transport infrastructure projects in India and abroad and to provide infrastructure advisory services for PPP project.
4.2.1.2 Objectives of Tanzania Government

The Tanzania Government motives for forming the JV with RITES are presented in Table 4.4. They are presented in the order of their importance to the local firm.

Table 4.4

<table>
<thead>
<tr>
<th>Rank</th>
<th>Key motives for forming JV</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access to new financial Resources</td>
<td>6.0</td>
</tr>
<tr>
<td>2</td>
<td>Technology Transfer</td>
<td>5.7</td>
</tr>
<tr>
<td>3</td>
<td>Share Commercial Risk</td>
<td>5.6</td>
</tr>
<tr>
<td>4</td>
<td>Enhance Local Image</td>
<td>5.0</td>
</tr>
<tr>
<td>5</td>
<td>March Competition</td>
<td>4.1</td>
</tr>
<tr>
<td>6</td>
<td>Government Incentives</td>
<td>3.4</td>
</tr>
<tr>
<td>7</td>
<td>Enter new market</td>
<td>3.2</td>
</tr>
</tbody>
</table>

GOT rated access to new financial resources as the primary motive for forming the joint venture. They expected the foreign partner to reverse the serious and continuous decline in not only movement of freight and passengers, but also workers morale by procurement of new locomotives and rehabilitation of the old ones to improve capacity. They also expected improvement of the central railway line by track relaying with heavier rail sections in the areas where rails are old and of light section.

Technology Transfer was very important factor for GOT and this ranked second in their calculations. They expected the foreign partner to train local firm managers and staffs in areas of Corporate Planning and Management Services, Cost Control, Rail
Transportation, Signaling and Communication, Commercial Services and Mechanical engineering.

Sharing commercial risks was another important factor for Tanzania Government and this ranked third. It also felt that the knowledge of local firm in sourcing materials and interacting with clients would be valued by the potential foreign partners. The government also wanted to boost the local image of the local firm through partnering with reputed international firms.

The two groups of partners had divergent motives in the area of technology transfer and the treatment of commercial risks. These two divergent motives were causes for conflict. Their impacts on the performance of the IJV in Tanzania are discussed further under the section on conflicts.

4.2.2 Selection of Joint Venture partners

The two groups of partners were asked to rank the importance of various factors that made them choose a particular partner. The results are presented in Table 4.5

**Table 4.5**

Reasons for selecting a particular partner

<table>
<thead>
<tr>
<th>Description</th>
<th>RITES Rank</th>
<th>Tanzania Government Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Link</td>
<td>1</td>
<td>N.A</td>
</tr>
<tr>
<td>Local Knowledge</td>
<td>2</td>
<td>N.A</td>
</tr>
<tr>
<td>Railways Resources</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Size/Reputation</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Past Association</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Management Skills</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>
A review of the selection process revealed a few interesting patterns in the selection process of the two groups.

RITES was interested in linking with local firm with good government links and sound local knowledge. They were after local firm who would provide them with a "local identity" which was needed for qualifying for the preferential margin scheme. They were not expecting the local partner to provide any technological or managerial resources.

The local firm on the other hand was looking for foreign firm that were large in size and who had an international reputation for building transit railway systems. Many of the interviewees did not have any particular preference to the nationality of the partner.

The partner selection process indicates that getting the contract was the primary concern for both the groups. In other words both the groups would partner any firm that would give them a chance to pre-qualify for the railway contracts. The above discussion clearly shows that selecting a compatible partner was not a serious consideration for both the groups.

This is contrary to many researchers’ findings that the partner selection process is critical to the performance of the joint venture and sufficient time should be spent in selecting a suitable partner (Geringer (1988), Contractor (1989).

Many authors have suggested that past association as a primary motive for selecting a particular partner (Tomlinson (1970), Artisien and Buckley (1985). This was also not true in this case.

The literature also suggests that there is a strong relationship between motives for forming the joint venture and partner selection (Tomlinson,1970) and the motives are often complimentary. This aspect is also not visible in my case study project. As already noted, the RITES objective was to find a local partner who was willing to
lend a "local identity" in order to take advantage of the government incentives but would be happy to play a peripheral role in the operation of the joint venture. On the other hand, the local partners were looking for a foreign partner who would provide financial Resources and be willing to impart technical know-how and develop and upgrade his technical and managerial skills. This fundamental difference in perception of each others' motives was ignored initially by both parties. But this proved later to be one of the major causes for failures of this JV.

4.2.3 Joint Venture negotiation and formation
The partner selection and negotiation process for joint venture between GOT and RITES of India took an average of more than four years. This is very long compared to 12-18 months period experienced by Beamish (1984) in his case studies on manufacturing JVs.

4.3 Major forces that influenced the direction of JV

4.3.1 JV Control, Co-operation and Trust
Schaan (1983) examined ten JVs in Mexico and found that partners could influence specific activities or decisions of the joint venture through the joint venture contract, appointment to the board of directors, appointment of JV managers, planning of work, administrative systems and a development of a working relationship with the partner. His research findings indicated a positive relationship between control and JV success. Hyder (1988) after studying three joint ventures between Swedish and Indian firms concluded that a partner can exercise significant control through exchange of resources. The validity of these findings will be examined in the following sections

4.3.1.1 Ownership Control
In the distribution of the equity ownership in this Joint Venture, the government of Tanzania owned 49% while RITES of India hold 51%. The foreign partner preferred to hold a majority share in the joint venture.

Table 4.6
Equity Contribution

<table>
<thead>
<tr>
<th></th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>RITES</td>
<td></td>
</tr>
</tbody>
</table>
Many researchers have observed that there is no significant relationship between level equity ownership and the degree of influence exerted by the parent on the JV (Dang (1977); Lacraw (1984)). Freidman and Beguin (1971) studying joint ventures in developing countries found that a partner can influence the activities of the joint venture without having a majority stake. Other researchers have clearly distinguished the difference between equity control and managerial control. Janger (1980) and Schaan (1983) and have shown that managerial control is more important as an influencing factor on the performance of JV than ownership control. This issue is addressed in the next section.

4.3.1.2 Management control

RITES tried to exercise control over the JV in three areas. They are: strategic control through the JV board, operational control through appointment of key managerial and technical personnel and resource control through supply and purchase of plant, equipment and materials.

4.3.1.3 Strategic control

This study found that joint venture board had total control over all the decisions made by the venture. Its board members were appointed on the basis of the equity contribution by each partner. This case observed the joint venture had four members appointed to the board with the member from the sponsoring company acting as the chairman. The board was mainly responsible for the following matters:

a. Provision of funds for the execution of the JV agreement.

b. The nature and extent of plant, equipment and materials to be provided by each party.

c. Recommendation of payment of dividends to the shareholders.

d. Accepting modifications, omissions or alterations to the conditions of joint venture agreements.

e. Entry of JV into new business.
f. Recommendations to the shareholders on any increase in the authorized or issued capital.

g. Approval of all key managerial appointments.
The JV board normally met once a month and reviewed the progress of the project. In order to protect the interest of minority shareholders the board's decisions, in principle, were expected to be unanimous. In case unanimity could not be reached, the Board of Directors normally adjourned for a period of 24 hours. If even after reconvening, the directors could not reach unanimity; the decision was passed, based on a majority vote. In case of a tie, the Chairman of the board was allowed to exercise a tie breaking vote if the subject matter of the decision was of an urgent and important nature.

The boards' meetings went very smoothly in the early stages. They were quite excited in getting the contracts and the key personnel and construction plant and equipment required for commencing the work were quickly approved. But as the project progressed, difference of opinions started to emerge in some of the contracts.

4.3.1.4 Operational control

Table 4.7 shows the average contribution of each partner to the JV in percentage.

<table>
<thead>
<tr>
<th>Description of Resource</th>
<th>Foreign</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Manager</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Key Project personnel</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>Field Staff</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Administration &amp; Personnel</td>
<td>95</td>
<td>5</td>
</tr>
<tr>
<td>Plant &amp; Equipment</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>Materials</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>Financing</td>
<td>90</td>
<td>10</td>
</tr>
</tbody>
</table>

As the table indicates, the RITES contributed most of the key resources required for the operation of the JV. This section discusses the impact of each resource on the performance of the JVs.
a. Project Manager/Managing Director

Beamish (1988) considers the appointment of a good general manager is most critical for the success or failure of the JV. He observed that the challenge facing the general manager was not only that the parent organisation might have different expectations but those expectations were seldom communicated clearly to the general managers. To make matters worse they also changed over time. A good project manager should give his undivided loyalty to the JV rather than to his parent organisation. This is often very difficult to do in Railways Transportation JV since most of them exist for a single project. The bias of the project manager towards his parent organisation has often resulted as a source of conflict between the partners. In this study the Project managing director was appointed by RITES. Such incidents created an atmosphere of mistrust which was detrimental to the performance of the JV.

b. Key Personnel

The organisation charts for the JVs called for key functional management positions to be initially filled by expatriate staff to be later replaced by local staff after they received sufficient training. This study found that TRL was not successful in achieving this objective. From the beginning local deputies were appointed to work alongside the expatriate heads of sections.

TRL had continuous problems in placing their staff in key positions. A review of correspondence reveals serious rifts between the two partners and a lack of cooperation and trust between the partners. RITES management wanted to place their staff in key technical positions and recommended a few candidates. These candidates were rejected by local managers and employees.

c. Procurement of Other Resources

The JV board was responsible for approving any major purchases or lease of plant and equipment and sourcing of expensive materials. RITES preferred to use their own sources in their home country for these purposes. When the mutual trust was very high between the partners this process went very smoothly. When disputes in other areas started to emerge, doubts about the motives for procuring materials from preferred sources began to surface in the board meetings.
Another source of problem was related to the value of older assets such as plant and equipment brought to the site from other projects and shown as the partner's contribution to the equity. It was very difficult to verify the appropriate value for such items and doubts were expressed about the valuation.

Buckley and Casson (1987) suggested that trust is a true mechanism of cooperation and trust generates loyalty. Some of the JVs in this case study seemed to be missing this important factor in their association. Some of the J problems can also be traced to the partners' inability to differentiate between policy decisions and operational decisions. Andrews (1984) suggested that policy decisions should be taken jointly at board level and operating decisions taken at project level, within delegated limits. In most of the ventures in this group, the board members were also making operating decisions, often resulting in conflict.

4.3.3 Conflict

Conflicts are a major source of irritation to the partners of a JV. Tillman (1990) observed that they cause partners to spend a lot of time and resource resolving disputes and disagreements. Awadzi (1987) suggested that conflict could be due to pursuit of divergent goals, interference and goal blocking and withholding of resources. Killing (1983) suggested that conflict could be caused by national cultures. These two main causes of conflict, pursuit of divergent goals and cultural differences had significant influences on the performance of the TRL Joint Venture. Some examples are presented in this section.

4.3.3.1 Pursuance of Divergent Goals

The RITES management and TRL employees was presented a list of possible issues over which they could have disagreements with their partners during the formation and operation of their JV.

They were asked to identify in a scale of 1 to 7, the level of their conflicts over these issues. A score of one indicated total agreement and a score of 7 indicated total disagreement. The list presented in Table 4.8 represents areas in which the partners had clashed frequently over the life of the joint venture (An average score of 4.0 or more)
### Table 4.8
Conflicts among partners

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic and Operational Issues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Interpretation of JV agreement</td>
<td>6.3</td>
</tr>
<tr>
<td>2</td>
<td>Organisational structure</td>
<td>6.1</td>
</tr>
<tr>
<td>3</td>
<td>Choice of Railways Operating Methods</td>
<td>5.0</td>
</tr>
<tr>
<td>3</td>
<td>Technology transfer</td>
<td>4.6</td>
</tr>
<tr>
<td>4</td>
<td>Procurement/Lease of Materials, Plant &amp; Equipment</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Cultural Issues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Sensitivity to Partner’s Needs</td>
<td>4.5</td>
</tr>
<tr>
<td>2</td>
<td>Interaction among partners</td>
<td>4.4</td>
</tr>
<tr>
<td>3</td>
<td>Behavior of Expatriate Managers</td>
<td>4.3</td>
</tr>
<tr>
<td>4</td>
<td>Interaction with the Client</td>
<td>4.2</td>
</tr>
<tr>
<td>5</td>
<td>Language Barriers</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Simkoko (1991) defined technology transfer as the planned conveyance and acquisition of technical knowledge and techniques. This implies that it is a two way process and can only succeed when both the donor and the recipient work together in deciding what needs to be transferred and implement a well organized transfer of technology program to achieve the objectives of the program. The RITES management felt that the project duration was very tight leaving them with very little time to attend to lower priority objectives such as technology transfer. Lack of long term commitment to the local partner also acted as a deterrent. The local partner during the negotiation stage spent his efforts in ensuring that his commercial interests were well protected in JV agreements. The JV agreements made no reference to the technology transfer process nor were any training budgets allotted.
4.3.3.2 Cultural Issues

This research study uses the four cultural dimensions (power distance, uncertainty avoidance, masculinity, and individualism) identified by Hofstede (1980) to explain the differences among Tanzanian and Indian cultures in resolving conflict.

Hofstede's model on culture identifies the Indians as having a small power distance (believes in equality), high on individualism (preference for individual judgement, spontaneous decisions, task before relationship and universalistic), and strong uncertainty avoidance (low tolerance, insists on rules) and highly masculine (believes in success, performance and achievement). Tanzania was described as a nation that is low on individualism, has a large power distance, is more tolerant of uncertainty and is highly masculine.

Comparing the cultural orientation of the two groups, one can notice the large cultural distance between the two groups. The highly masculine nature of both groups indicate that both groups are keen on achieving the results they want. If the two groups had the same set of objectives, this JV would have reported very little serious conflict. Unfortunately the two groups had different sets of agenda to pursue through their JV. This caused considerable difficulties in the relationship between the two groups. Some of these differences are highlighted below.

RITES management was more focused on rules than relationships. They were of the opinion that the JV agreement represented a formal business document and all actions should relate to that agreement. They were quite willing to perform any task that was specified in the agreement and reluctant to accommodate any requests outside the written agreement. The local managers placed more emphasis on personal relationships than on the wordings in the JV agreement. Even though none of the JV agreements specifically referred to technology transfer, the local partners expected their foreign partners to provide this service as part of their ongoing relationship. The foreign partners did not feel the same way. One of RITES expatriate managers who worked in this JV observed that technology transfer did not take place effectively because they were not written into the JV agreement. The divisional traffic manager
who was a Tanzanian observed, "In the process of technology transfer, technology is the easy part. The process of transfer from one culture to another is the difficult part."

In Eastern culture decisions are made collectively, however small they are, and joint responsibility is assumed for the outcome. In African culture such decisions are made by individuals and they assume personal responsibility for the results. In individual cultures (Indians) emotions are expressed immediately either verbally or non-verbally. In collective cultures (Tanzanians), emotions are not openly expressed. Asians are easily embarrassed when colleagues from a different culture exhibit public display of emotions. The employees of Tanzania Piling were shocked when the first batch of Indian supervisors expressed their displeasure through high emotional outbursts. Some of the local staff strongly protested to their management at what they perceived as "arrogant and unruly behaviour" of their supervisors. The local partner applied strong pressure on their foreign partner and had the unsatisfactory staff sent back to France.

Sometimes TRL employees were embarrassed by the emotional outbursts shown by their partners in meetings with the clients on such sensitive issues as claims. In private meetings with the client, some of them offered their apologies for the "unruly" behaviour of their partners.

Apart from cultural problems there were a few minor issues that affected the relationship. Language barrier was one of them. For example, in some meetings the Indians tends to discuss some matters in Hindi language while there were Tanzanian local managers.

The costs of these cultural conflicts are not quantifiable. But they increased the strain in the relationship between the JV partners

4.4 The Performance of TRL Joint Venture

4.4.1 Subjective Assessment of JV Performance by local partner

The local partner were presented a list of objectives they set for themselves when they formed the JV and were asked to indicate, on a scale of 1 to 7, the extent to
which they attained their targets at the completion of the projects. A score of 1 indicated low level of attainment and score of 7 indicated very high level of attaining their objectives. The average score for each objective is presented in Table 4.9. An average of 3.5 is considered satisfactory.

### Table 4.9

<table>
<thead>
<tr>
<th>No</th>
<th>Key Objective</th>
<th>Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pooling of financial resources</td>
<td>2.8</td>
</tr>
<tr>
<td>2</td>
<td>Acquisition of New Technology</td>
<td>1.5</td>
</tr>
<tr>
<td>3</td>
<td>Enhanced local image</td>
<td>1.3</td>
</tr>
<tr>
<td>4</td>
<td>Improved Management Skills</td>
<td>2.6</td>
</tr>
<tr>
<td>5</td>
<td>Effective Utilization of Resources</td>
<td>2.0</td>
</tr>
</tbody>
</table>

The results suggest that the local partner was not at all satisfied with the technology transfer process. They were ready to admit that the association with international partners enhanced pooling of some financial resources and improved the management skills and taught them how to utilize the available resources. They also felt that the experience did not enhanced their local image and did not gave them confidence to venture overseas. Generally they may prefer to go on a joint venture with Indian partners again. They felt the cultural gap between the two groups was too wide to be bridged over a short period of association.

#### 4.4.2 RITES Assessment

The former RITES management gave a general assessment of the performance of the TRL JV. Following are his assessments:

1. TRL has not failed to run the railways. The problem was lack of capital. TRL has being run by shares only from a single party to the contract and yet there are two."Rites of India, which owned 51% of TRL and the GOT, 49%.
2. Since the signing of the contract in 2007, TRL has been run with capital from Rites alone, when the company started operations, the railways firm was in a very bad condition.
3. There was no train plying between Dar es Salaam and Tanga or Kigoma and the central railway passenger train operated up to Dodoma only. Also TRC had neither engines nor enough coaches for passenger trains.
4. After Rites took the 51% stake, TRL acquired 25, 73-class engines, and 23 coaches were leased from India to improve operations.
5. The Government has not clearly informed the public about the contract. That is why they were being blamed. But the fact remains that the company was in a really bad condition before its privatization.

4.5 Check-list for future JVs in Tanzania
The current TRL interim management which was previously local partner of IJV between the GOT and RITES of India were asked to identify various factors which must be addressed before establishing other IJV in Tanzania. Figure 4.1 below represent their responses.

![Figure 4.1: Check List for Future Joint Venture in Tanzania](image)

37% of respondents urged that the foreign partner must have enough capital to invest in the JVs, and thus not to expect to get fund from other extra sources such us WB and IMF. Form of investment includes know-how, technology, brand equity, equipment, land, and cash and so on. Also to consider total investment andor capital contribution.

20% of the respondents said future JV must take much consideration on legal structure of the JV. 15% of respondents said marketing which includes marketing
strategy, office space required for and location of sales and branch offices, sharing or products/services to be sold at the local and international market, and marketing budget has to be considered early during the formation of JV.

13% of respondents recommended that operations of JV must be taken into consideration before the formation of JV. These includes goods and/or services to be produced and/or provided, location of production facilities, required production capacity, required office space, research and development budget, and quality management and standards.

Governing structure was suggested by 10% of respondents. They argued that the following must be included; Percentage ownership, cooperation at the policy and operating level. The chief executive officer (should come from one of the parents but be able to win both parents' confidence), board of directors (total number, number of appointees of each parent, frequency of meetings), governance policies (regulatory compliance, board policies), other key positions (who appoints what members of the management team and responsibilities for each position), expatriates (legal, living and working arrangements), delegation of authority, and reporting structure.

5% of respondents suggested that accounting and finance control should be considered before the formation of JV. It comprises of the following; Level of detail in cost accounting required, information required for venture control, frequency and level of detail required for accounting reports, and choice of auditor.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter sums up the results of the findings, interprets and discusses them, as well as providing an overview of the whole research project. The chapter starts by briefly highlighting the research questions and objectives, reviews the key area raised in the literature review and generally discusses the key findings pursuant to the study motive. Later the conclusion is derived from the study findings, followed by recommendations, and lastly area for further research is suggested. According to Saunders, (2000, p.421), answering the research questions and objectives is the main purpose of the conclusion.

5.2 Summary of the Study

The main objective of this study was to assess the IJV performance in TRL. The data gathered and statistical evidence presented was based on a sample of 27 respondents obtained by purposive sampling and random sampling procedure. The findings of the study revealed that the local partner and foreign were not at all satisfied with the performance of JV. The local partner felt the cultural gap between the two groups was too wide to be bridged over a short period of association. The study also has specific objectives, which helped to operationalize the dependent and independent variables.

The first specific objective is to trace the issues related to formation of TRL JV. The research findings from table 4.4 shows that the primary motive of GOT for forming the JV was access to new financial resources. Technology transfer, sharing commercial risks, and enhancing local firm’s image were other major motives. The research findings table 4.5 shows reasons for selecting a particular partner, RITES
was interested in linking with local firm with good government links and sound local knowledge. They were after local firm which would provide them with a local identity as they needed for qualifying for the preferential margin scheme. They were not expecting the local partner to provide any technological or managerial resources. The local firms on the other hand were looking for foreign firm that was large in size and which had an international reputation for running transit railway systems. The partner selection and negotiation process for this particular JV took an average of more than four years.

Second specific objective is to examine critically the major forces that influenced the direction of JV. The results of this study on table 4.6 showed the government of Tanzania owned 49% while RITES of India hold 51% in equity contribution. In the management control of the JV, RITES management tried to exercise control over the JV in three areas. They were in strategic control through the JV board, operational control through appointment of key managerial and technical personnel and resource control through supply and purchase of plant, equipment and materials. Table 4.7 indicates RITES contributed most of the key resources required for the operation of the JV. Table 4.8 indicates two main causes of conflict which had significant influences on the performance of the TRL JV. These were pursuedance of divergent goals and cultural differences.

Third specific object is to observe the performance of TRL JV. Table 4.9 shows the achievement of key objectives. This study found that the local partner was not at all satisfied with the technology transfer process. They were ready to admit that the association with international partners enhanced pooling of some financial resources and improved the management skills and taught them how to utilize the available resources. They also felt that the experience did not enhanced their local image and did not gave them confidence to venture overseas. Generally they may prefer to go on a Joint Venture with Indian partners again. The former RITES management gave a general assessment of the performance of the TRL JV. Following are their assessments TRL has not failed to run the railways, the problem was lack of capital. TRL has being run by shares only from a single party to the contract and yet there are two. Since the signing of the contract in 2007, TRL has been run with capital from
Rites alone, when the company started operations, the railways firm was in a very bad condition. Also TRC had neither engines nor enough coaches for passenger trains. They said that after Rites took the 51 per cent stake, TRL acquired 25, 73-class engines, and 23 coaches were leased from India to improve operations.

Fourth specific objective the study is to suggest check-list for future JVs in Tanzania. Figure 4.1 indicates the suggested check-list by TRL interim management. This study found that there are various factors to be considered during the formation of the IJV and these are capital investment, legal structure, operations, governing structure, accounting and finance control are factors to be considered as check-list for future IJV in Tanzania

5.3 **Major Conclusions**

The first specific objective is to trace the issues related to formation of TRL. The study concludes that the primary motive of GOT to form the JV was access to new financial resources. Technology transfer, sharing commercial risks, and enhancing local image of local firm were other major motives. RITES was interested in linking with local firm with good government links and sound local knowledge.

The second specific objective of the study is to examine critically the major forces that influenced the direction of JV. This study concludes that in the management control of the JV, RITES management exercised control over the JV in three areas. They were in strategic control through the JV board, operational control through appointment of key managerial and technical personnel, resource control through supply and purchase of plant, equipment and materials. There were two main causes of conflict in the JV; these were pursuance of divergent goals and cultural differences.

Third specific object of the study is to observe the performance of TRL. The study came up with the conclusion that the overall level of satisfaction of local partner with the performance of the TRL JV was not satisfactory. Same as local partner the international partner was also not satisfied with the JV performance. The association with international partners enhanced local partner to pool of some financial resources.
and improve their management skills; they also learned how to utilize well the available resources but the experience did not enhanced their local image, did not gave them confidence to venture overseas and did not bring about any technology transfer. Moreover there was problem of lack of capital, and thus to large extent the JV has being run by shares only from a single party-RITES.

Fourth specific objective of the study is to suggest check-list for future JVs in Tanzania. The study came up with the conclusion that capital investment, legal structure, operations, governing structure, accounting and finance control are factors to be considered as check-list for future IJV in Tanzania.

5.4 Recommendations
The anticipated objective of improving TRL performance after concessioning was not achieved. GOT decided to buy back the 51% shares from RITES India and invest in the railways to improve performance. Therefore, it is the recommendation of the researcher that;

1. The TRL should be well managed by the government in partnership with local companies because international companies have shown that they are not capable of investing and running railway effective.

2. The GOT should select local companies having similar objectives so as to avoid pursuance of divergent goals and cultural issues during daily operations.

3. The management of TRL in JV with local companies should be equal in strategic control through the JV board, operational control through appointment of key managerial and technical personnel, resource control through supply and purchase of plant, equipment and materials.

4. The government should be careful in recruitment process so that the individuals recruited for services have ability to perform well in the facility.
5. The government should make procurement of new locomotives and rehabilitation of the old ones to improve capacity, also track relaying with heavier rail sections in the areas where rails are old and of light section.

6. TRL should improve signaling and communication in the railway system, lobbying in the government for exempting TRL from paying excise duty and fuel levy. Also struggle to curb vandalism and theft of railway properties and improve staff welfare to enhance morale.

7. TRL to modify company organisational structure by establishing a department of business growth, which will drive the transformation of TRL from operational to business oriented, and from loss making to a commercially successful and profitable company.

**Recommendation for Further Studies**

Due to the fact that not all areas were explored by the researcher, it is the opinion of the researcher to welcome other researchers for further studies on the importance of TRL to perform joint venture with local firms.

Furthermore, the researcher welcomes other researchers to make assessment of the JV performance of TAZARA so as to examine its weaknesses and strength and give out recommendation on how to improve its quality.
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APPENDICES

Appendix A

RESEARCH QUESTIONNAIRE

Assessment of International Joint Venture Performance in Tanzania: A case of Tanzania railways limited

Please respond to the following questions on the basis your company's involvement and experience as an International Joint Venture Partner in Operating Railways in Tanzania.
Aikaruwa Pius  
MSc Student  
Mzumbe University, Dar es salaam Campus College

SECTION A

GENERAL INFORMATION

1. Name of interviewee :  
2. Designation :  
3. Experience : i) In the Railways Sector _____ years  
               ii) In Managing Joint Ventures _____ years

SECTION B

OBJECTIVES

1. How important are the following factors in your decision to set up the JV? Please circle the number that best describes the importance of each factors in your decision.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not Important</th>
<th>Somewhat Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Spread Commercial risk</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>b Obtain Technology transfer</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>c Government incentives</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>d Match competition</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>e Enhance local image</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>f Avail of partner's local knowledge</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>g Market diversification</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>h Access to new financial resources</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>i Match competition strategies</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>j Protect international market share</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>k Avoid take over</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>L Hedging against discrimination by host country</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
</tbody>
</table>
SECTION C

SELECTION OF JOINT VENTURE PARTNERS

1. Please indicate the importance of following factors in the selection of your partner.

<table>
<thead>
<tr>
<th></th>
<th>Not Important</th>
<th>Somewhat Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Plant and Equipment</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>B</td>
<td>Size/reputation</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>C</td>
<td>Government link</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>D</td>
<td>Technology</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>E</td>
<td>Finance</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>F</td>
<td>Railway resources</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>G</td>
<td>Local knowledge</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>H</td>
<td>Management skills</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>I</td>
<td>Access to materials/supplies</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
<tr>
<td>J</td>
<td>Nationality of potential partner</td>
<td>1 2</td>
<td>3 4 5</td>
</tr>
</tbody>
</table>

2. Who made the first approach or suggestion regarding the Joint Venture.
   a. your company ( ) b. year:_____________
   b. your partner ( ) b. year:_____________
   c. other parties (please specify): ____________________

3. How long did you negotiate with your partner before the Joint Venture was formed. Please circle the period below:
   a. less than 3 months
   b. 3 - 6 months
   c. 6 - 12 months
d. 1-2 years
e. 2-3 years
f. 3-4 years
g. more than 4 years

4. Were the negotiation longer/shorter than or normal for your company?
   a. longer ( ) b. shorter ( ) c. normal ( )

5. Were there other potential partners?
   a. yes( ) b. No( )
   If yes how many:_______

6. To what extent did you negotiate with the other potential partners
   
   1 2 3 4 5 6 7
   did not some what Extensively

7. Could your company have undertaken this project without a partner?
   
   1 2 3 4 5 6 7
   No may be Yes

9. Total number of JVs your Company is currently engaged in:
   a. Tanzania
   b. Outside Tanzania

**SECTION D
CONTROL**
This section contains statements and questions about the operations and management of the joint venture. Please circle the most appropriate response.

1. Please indicate to what extent your partner exercises control over the following functions.
   (1 = extremely low, 2 = very low, 3 = low, 4 = average, 5 = high, 6 = very high, 7 = extremely high)

**Strategic Control**
   a. Selection of members to joint venture board
      1 2 3 4 5 6 7
   b. Appointment of Managing Director
      1 2 3 4 5 6 7
c. Organisational structure 1 2 3 4 5 6 7

d. Financing 1 2 3 4 5 6 7

e. Selection of Sub contractor/Supplier 1 2 3 4 5 6 7

f. Methods of dispute settlement 1 2 3 4 5 6 7

Managerial Control

a. Capital expenditure 1 2 3 4 5 6 7

b. Budget control policy 1 2 3 4 5 6 7

c. Appointment of key personnel 1 2 3 4 5 6 7

d. Accounting/Administration 1 2 3 4 5 6 7

Operational Control

A Planning 1 2 3 4 5 6 7

b. Purchase of materials 1 2 3 4 5 6 7

c. Quality control 1 2 3 4 5 6 7

d. Selection and promotion of site personnel 1 2 3 4 5 6 7

e. Reporting procedures 1 2 3 4 5 6 7

f. Briefing Meeting 1 2 3 4 5 6 7

g. Revenue Collection 1 2 3 4 5 6 7

h. Failure/ Accident 1 2 3 4 5 6 7

i. Minimizing Operation Costs 1 2 3 4 5 6 7

SECTION E

MUTUAL CONTRIBUTION OF RESOURCES

Allocate 100 points between you and your partner to indicate the relative extent to which each contributed resources to the venture.

<table>
<thead>
<tr>
<th>Resource contributions</th>
<th>You</th>
<th>your partner (RITES)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managing Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization Key Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Staff</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Administration and Personnel
Plant and Equipment
Materials
Financing

SECTION F
Conflict
This section contains statement that best described the nature of your relationship with your partner. Please indicate the level of agreement or disagreement. You had with your partner over the following issues. 1 = disagreement, 2 = very rarely disagreed, 3 = rarely disagreed, 4 = sometimes disagreed, 5 = often disagreed, 6 = very often disagreed, 7 = almost always disagreed)

a. Organisational issues
b. Technology transfer
c. Selection of sub-contractor
d. Procurement of Materials, Plant and Equipment
e. Interpretation of JV agreement
f. Choice of Railways methods
g. Financial issues
H. Administrative procedures

Cultural Issues
a. Sensitivity to partner's needs
b. Interaction among partners
c. Interaction with client
d. Behaviour of expatriate managers
e. Language/Communication

SECTION G
ASSESSMENT OF JOINT VENTURE PERFORMANCE
This section contains the objectives you may intended to achieve through the joint
venture. Please indicate by circling to appropriate circle the extent to which you achieved these objectives (1 = not at all, 2 - very low, 3 = low, 4 = average, 5 = above average, 6 = high, 7 = very high)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Not Important</th>
<th>Somewhat Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Spread Commercial risk</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
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<td>b. Obtain Technology transfer</td>
<td>1 2</td>
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<td>6 7</td>
</tr>
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<td>c. Government incentives</td>
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<td>3 4 5</td>
<td>6 7</td>
</tr>
<tr>
<td>d. Match competition</td>
<td>1 2</td>
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</tr>
<tr>
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<td>K Avoid take over</td>
<td>1 2</td>
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<td>6 7</td>
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<tr>
<td>L Tax implication</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
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<tr>
<td>M Hedging against discrimination by host country</td>
<td>1 2</td>
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<td>6 7</td>
</tr>
<tr>
<td>N Pooling of resources</td>
<td>1 2</td>
<td>3 4 5</td>
<td>6 7</td>
</tr>
</tbody>
</table>

Please indicate the overall level of satisfaction of your firm with the performance of the JV
Satisfactory ( ) Not Satisfactory ( )

Please indicate whether you intend to continue your association with the partner in the future.
Yes ( ) May be ( ) Never ( )
Thank you for your sparing me your valuable time.

Aikaruwa Pius
MzumbeUniversity, Dar es salaam Campus College