

## **Analysis on International Jointly Ventures Projects under Belt Road Policy for State-owned Enterprises in Mainland China**

**Luoer Liao**

Hunan Vocational College of Modern Logistics, Changsha 410001, China

liaoluoer@126.com

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**Abstract:** Under belt and road policy in mainland China in recent 5 years, more and more infrastructure projects are to be established in region of member states. For example, the whole process of collaboration between domestic enterprise and foreign group would be analyzed thoroughly with a report. For specific situation, EVN is searching for the collaborative partners for the construction of projects including thermal power plant, a coal wharf and auxiliary facilities. EVN is a state-owned company in Vietnam, mainly engaged in electric power generation, power transmission, distribution and electricity sales and other fields and it is the largest one in whole country. China Communication Construction Corporation is a Fortune 500 Corporation of the world. And its competitive advantages are including enough capital, impressive strong technologies, as well as advanced organizations of management. And strategy is highly related with Belt Road policy.

### **1. Background of Jointly Ventures Project.**

In this specific situation, EVN offered 3 approach plans for CCCC for jointly ventures. Firstly, collaborative alliance, which indicates that CCCC should invest total money on the whole project and CCCC would acquire the right of management for Power Plant and the right to use specific wharf for 20 years long. When period is over, CCCC must return all assets to EVN according to the contract and leave. Secondly, horizontal collaboration, which indicates that CCCC and EVN invest money on this project respectively, Chinese side must provide professional technical staffs with project and transit the technologies to EVN, no rights of plant operation, and 35% profit per year for 30 years. When the period is over, the EVN takes control of whole power plant and wharf. Lastly, International Joint Venture in domestic area. CCCC invests total money on a newly established company to manage this power plant and acquire 30% shares permanent. Also, CCCC should offer the technologies and establish the organizations for the newly company- Asia Daily Power Company. In addition, CCCC has the right to select the construction companies in the future extension project.

Speaking of this, the strength for collaborative alliance could have 100% shares and control for this whole power plant and wharf, comparing to another 2 schemes, it has the most return profits of all. But its weakness is obvious, as is known to all, Vietnam government has complicated and ever-changing policies for foreign investors. To assess the investing condition for foreign companies in Vietnam, the low governmental efficiencies and lots of constraints for CCCC might be a huge challenge, as well as the nonstandard domestic labour and low-educated workers would seriously drag CCCC's plan in the future. And there are also opportunities, with the rapid development of Vietnam, costs of electricity would increase quickly and more and more infrastructure constructions would be established in the future. CCCC could have more opportunities to contract to build projects in local. The threats are objectively existing, it is very difficult to judge the policy trend in Vietnam, regional protectionism might be a NO 1 trouble for CCCC's business operation in Vietnam. CCCC is unable to ensure its interest without a stable and evenness policy.

## **2. SWOT Analysis on Basic Cooperation Model**

### **2.1 SWOT of Horizontal Collaboration**

Strength, for horizontal collaboration for CCCC, it could have 35% shares which remains a stable ROI in future 30 years. Half of the investment would be lower risk comparing to other 2 plans.

Weakness, CCC has no right to rule power plant and the core technologies would be lack of protection under the management of EVN. It is difficult to manage power plant and unsafe for CCCC to get involved in.

Opportunity, stable ROI would be ensured in future 30 years and CCCC could acquire predictable profits. In the meantime, CCCC might grasp more chances to enter this market to compete for more projects in the future.

Threat, both 2 companies have different business strategies in management, there would be potential conflicts between 2 sides to badly influence the collaboration. The Vietnam government would seriously bias its advantages to EVN and the interests of CCCC would be damaged.

### **2.2 SWOT of International Joint Venture Company**

Strength, for international joint venture, CCCC could have 30% return permanent which remains a stable profit. Also, CCCC could have the priority selection of other extension projects in future. The technologies could be well protected by the contracts under the situation of newly-established company Asia Daily Power. Moreover, due to the governmental background state-owned company EVN, the policy would be highly controlled and remaining stable for rapid development of ADP.

Weakness, CCCC has no right to rule power plant and is unable to manage the operation of ADP. The financial performance would be over-estimated in occasions.

Opportunity, CCCC has the priority selection for follow-up projects which is an interest for CCCC, and this is totally matching for strategies it established. To enter the market in Vietnam, ADP is good choice for expansion plan.

Threat, EVN would be a competitor for CCCC in future to seize the market. The technologies have to be transited to EVN and management performance would be learned.

To sum up, CCCC has chosen the international joint venture company this particular collaboration with EVN finally due to business strategy and potential market in South East Asia. Step outside is the strategy and nation policy for state-own company of CCCC. By the support of government, CCCC could have more support and long-term return in future.

### **2.3 Typical Analysis for This Particular Collaboration**

First thing first, as a general director assistant in the international joint venture collaboration project, I naturally have the convenience to obtain an overall picture of the project from those important issues to the negotiation details including collaboration operation structure to financial provision on the contract. Moreover, as the only investor in the project, the power plant licensed in Vietnam is the key for us to entering South-East Asia market to support our future business strategy in the next 10 years. We should make a solid foundation in this particular project and improve our brand reputation in this area. The qualification of infrastructure construction in local place is what we need.

Secondly, the Asia Daily Power Company has been arranged for nearly 2 years in the phase of commencement when the collaboration structure has entered an initiation stage (the management structure in the organization has been established) and there is still space for management improvements in a long run. So, the analysis for the particular Asia Daily Power company would be relatively effective and mature. For another word, it is about the chance to make a final negotiation with EVN to start the project within last effort.

At last, the International joint venture is a most appropriate business mode currently in this specific situation under the Vietnam government policy. With the rapid development in South-East Asia market, the joint venture collaboration started to lay emphasis on the internal improvements as

an important business strategy. An analysis of the current business strategy will help us understand the important issues we should care about, and try to get potential market in other areas.

## **2.4 Potential Constraints for CCCC When ADP are Established**

Technology CCCC has a strong and advanced technology background in the area of power plant construction. Speaking of technology protection, Technical protection should be established before construction to improve the system of protecting technical secrets. To take various effective measures to protect own organized and legal protection measures. Refer to the specific ADP business mode secrets isolation measures production areas of security measures. Production area should establish protection measures. To make closed management, staff and technicians should sign the agreements of business and technical information. For files management, to set up a strict system of files borrowing and processing.

Policy CCCC select EVN as business partner due to its state-own company background, as far as it concerned, the policy in Vietnam is not stable and governmental management is disordering for investors, as a state-owned corporation for CCCC, to select EVN could avoid risks of local protection and unfair treatment in Vietnam. Actually, the investing condition in Vietnam is really no good in global environment.

Information As a person who is in charge of the business works of negotiation and contract compiling, I can get the relevant information of the business. On the other side, because of the same reason, I am on the top structure of organization collaboration and I cannot have a practical knowledge of the conditions on the basement. I am looking forward to the chance to have a practical look on the front lines of the collaboration.

## **3. International Joint Venture Collaboration Analysis**

### **3.1 The International Joint Venture Strategy and Modality**

Generally, the collaboration between CCCC and EVN is based on a fully understanding of the companies' visions and business strategies on the foundations of the similar state-own company culture for each side's benefits. Compared with other joint venture companies in domestic China, the collaboration seems much more advantage and should be more effective and profitable. Concerning the collaboration strategy, these two companies are all in the high-performance level stage because of that they all are operating stable in the market respectively. And without the joint venture, they will still survive and continue to develop. The collaboration will hopefully push ADP on the developing path towards the business success.

To achieve the development, the strategic choices for the promising success are from Internal and External. For the internal part, the CCCC should concentrate on the business expansion and market "stepping outside" policy. And for the external part, CCCC should find opportunities of acquisition, merger and collaboration. For this case, international joint venture collaboration is the most suitable for CCCC to establish ADP Company to open the market in South East Asia.

In this particular case, the CCCC and EVN are all working for their own improvements of internal processes for promising business outcomes but EVN is not good at business they want to expand to or strategic marketing expansion outside for CCCC. So, to establish ADP is the best choice for both of them to complete this mission. To consider overall benefits and risks from all kinds of choices of strategies for collaboration, the Joint Venture will naturally become a best option.

### **3.2 Analysis of International Joint Venture Collaboration of ADP**

In order to demonstrate a clear picture of joint venture collaboration for ADP Company, our group of CCCC did make a series of negotiations and investigations to reach the goal of mutual satisfactory of the issues related to the objectives of the joint venture collaboration for establishment of ADP, the organization structure, operational management as well as the financial performance on the objectives. In the end, both CCCC and EVN make a large effort to reach an agreement in a win-win situation. And after nearly 2 years of joint venture collaboration arrangement has shown

some beneficial effects on the common goal due to the establishment of ADP Company. The ADP is a new isolated organization without directing control under both CCCC and EVN, was an independent company in the area of energy power organization with CCCC's professional construction and management technologies and the whole nation market in Vietnam. ADP Company is an outcome of joint venture collaboration between CCCC and EVN, [4] for ADP'S objective is to enhance its own existing strength, to rectify weaknesses, to exploit opportunities as well as to compete with threats. The ADP Company aims at an effective and profitable development and professional construction management for business operation. Moreover, ADP also aims at an effective management for operational and financial performance. ADP's band reputation influencing on the South East Asia. On the other hand, the constraints for joint venture collaboration which should be considered in ADP's establishment:

Firstly, the CCCC's enterprise and advanced engineering management are difficult to be understood by EVN party due to business philosophy. Secondly, the financial outcome is supervised by both sides and easy to be misunderstood. Lastly, the indeterminate function and power will affect the consistency of the organization.

### **3.3 Development of Product Sales and Services under SCM**

The sales and services are determined by marketing performance from as well as manufacturers information management performance under SCM theory, which is highly connected with ERP system, which helps companies manage sales abilities and improve services level well in market. Enterprise information management system collects data and processes calculation, moreover, satisfaction of customers is found out that potential issues could be solved by this system. In a matter of fact, solutions would be provided to satisfy with strategies for enterprises. In conclusion, the feedback and data analysis are key advantages to enterprise information management.

According to the ERP system for after-sales service of companies, ERP plays an important role in tracing each product to customers. When orders received, it starts to record the information for the specific product and provide follow-up services with each customer, which would remind clients to maintain products from companies for safety matters and to offer relative product parameters and professional technicians to cooperate with products maintenance to the valued clients. Also, ERP could keep a better relationship with customers and response for the issues from clients as quickly as possible which is also responsible for products repairing service. As it is difficult for end customers to have enough abilities to do a repairing themselves, maintenance would quickly be received through orders from clients and particular engineers are to be sent to site to offer service for solving problems. With system, this process could be quick and efficient, moreover, data and feedback could be scientifically analyzed to acquire a best decision.

### **3.4 Financial and Operational Performance of ADP**

The CCCC enterprise is very experienced in raising funds from capital market home and abroad, moreover, CCCC has an extremely strong financial background. The CCCC had raised an infrastructure developing fund at the beginning of ADP establishment with import and export Bank of China with a scale of 1.2 billion US Dollars in Mar. 2012 for the start-up capital, the rest would be arrived during 8 months after it starts. In addition, CCCC overseas group is to prepare for more than 5.0 billion US Dollars to support the next 10 years' overseas facility development and construction. So the financial issue would not be the main concern for both sides. But for the financial management for ADP, the EVN would take whole responsibility in all process including financial investigation and management, moreover, there is a third party to evaluate and alert ADP's financial performance.

In the long run, it can be optimistically predicted that with the help of CCCC professional management guidance for ADP, the further investment will remain a continuous scale of infrastructure construction developing in South East Asia and EVN would make a huge contribution to ADP development in local market. On other aspects, EVN helps the ADP to set up a domestic Market-Finance memorandum book to guarantee the beginning phase of good will profits and

expansion of market all over Vietnam. ADP Company would adopt advanced ERP system for reduction of cost to make financial performance stable. The financial risks will be stood by both parties in the joint venture for ADP Company.

#### **4. The Evaluation of the Critical Impact of the Collaboration**

##### **4.1 Collaboration Strategic Level Impact**

Generally, the ADP's business strategies are quite consistent with CCCC and EVN: to expand market in South-East Asia and achieve the business success under the joint venture collaboration on the basis of special channel and supportive resources from both parties. Although they may have different goals in the collaboration process, they all are to some extent sharing the same strategic purpose. However, in the analysis of the ADP's objective part, [7] there are some potential issues remaining to be considered. The most important, the unified standard for ADP Company is not rigorous on the strategic level which would make some misunderstandings between two parties and there would be some conflicts in the process of operation due to the unclear details in running business. Then, as for joint ventures collaboration ADP, the financial things are always sensitive for all parties. Thirdly, the ADP's strong willing to be independent in financial part, which would be better for it, but there is an argument between both parties. Lastly, it is necessary to give more space and rights to ADP for its development to be a completely isolated operating company step by step without the hands of both CCCC and EVN in the long run.

##### **4.2 Structural Organizational Level Impact**

The structural organization seems clear for the efficient enterprise management. However, the collaborative structure naturally comes one common problem in the all levels of collaborative management: there are 2 deputy directors from CCCC and EVN respectively although a professional general director existing in the top and CCCC and EVN are the real bosses of ADP, there comes a problem: Who gives the orders? The power of GD of ADP was impractical. Some people have encountered this problem in the process of business when CCCC and EVN have different business decisions, which is a huge block for development. As for operational and management of collaboration, the rights and obligations are very definite, while the financial part is under an elementary level for both companies. Due to there is not a ready joint venture company before in overseas market and no evidences to show how to reasonably share the profits as well as to undertake risks. As a consequence, the collaboration will be threatened if there are some unexpected issues when ADP is operating out of expectation, so my advice is to establish a contingency plan for preventing collaboration falling aiming at these potential problems. On the other hand, when the business is running positively, the profit-sharing matter should be strictly carrying out according to the tripartite indenture.

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