Characteristics of the international joint ventures in Bulgaria (1989-2003)

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Abstract

Purpose – In response to the need of new knowledge about the international joint venture (IJV), the purpose of this study presents an analysis of the basic characteristics of these IJVs and their variation of characteristics depending on the nationality of the foreign partners, coming from three regions: Triad countries (USA, Western Europe and Japan); non-Triad countries; and a mixed region, encompassing combinations of partners from the above two regions.

Design/methodology/approach – The advantage of the study is the use of official data from the database, established in cooperation between the author and the National Statistical Institute, on the entire non-homogeneous population of 722 IJVs in the 1989-2003 period.

Findings – The generalized results of the study confirm the existence of common trends and trends diverging from those registered in previous studies both on the conventional IJV, set up by foreign and local partners, and on the non-conventional IJV, formed by foreign partners alone.

Research limitations/implications – Notwithstanding the generalized results obtained, owing to the coverage of the entire population of IJVs, future studies regarding their characteristics in Bulgaria should have not only structural, but also motivational and outcome variables superimposed.

Practical implications – The research can serve for international comparative studies and for the elaboration of national and European Union policies regarding the creation of official databases on the IJVs.

Originality/value – With the presentation of new knowledge both on the conventional and on the non-conventional IJVs, the present study extends and supplements the theme regarding the characteristics of the IJVs.

Keywords Joint ventures, Strategic alliances, International investments, Databases, Economic changes, Bulgaria

Paper type Research paper

Introduction

Joint economic undertakings are as ancient as trade itself, but since the late 1970s a considerable growth has started to be marked worldwide in the number of international strategic alliances, resulting in the qualification of the phenomena in academic investigations as "a radical change in the organization of productive activity by multinational enterprises (MNEs) toward collaborative arrangements between firms" (Ramanathan *et al.*, 1997, p. 51) and the transformation of these flexible organizational structures into "a strategic imperative for the twenty-first century"

(Pekar and Allio, 1994, p. 64). Although strategic alliances have turned into widespread practice in international business relations, the last representative empirical study of the basic characteristics of one of the types of strategic alliances in Bulgaria – the international joint venture (IJV), dates back to 1991 and covers the period of centrally planned economy from 1981 until 1988 (see Razvigorova *et al.*, 1991). It is precisely the main purpose of the present study to provide the answer to the question, unresolved since that time, regarding the evolution of the structural characteristics of the IJVs within the context of a transition to market economy. A subsidiary objective of the study is the analysis of the variation of these structural characteristics depending on the nationality of the foreign partners, categorized according to the methodology of Glaister *et al.* (1998), based on the original classification of Ohmae (1985), in the following three regions:

(1) partners, whose nationality is from Triad countries (USA, Western Europe and Japan);

(2) partners, whose nationality is from Non-Triad countries; and

(3) a Mixed region, encompassing combinations of partners from the above two regions.

For the attainment of the specified goals, in cooperation of the author with the National Statistical Institute (NSI), a database has been created of the entire non-homogeneous population of 722 IJVs in Bulgaria for the 1989-2003 period, featuring 620 conventional or traditional IJVs, set up by foreign and local partners, with the emphasis of the study laid on these IJVs, and 102 non-conventional IJVs, formed by foreign partners alone.

In the following sections are presented: a short description of the database and its advantages when compared to the databases, established on the basis of information deriving from the economic press; and the discussion, deriving from the analysis of some of the included in the database internationally comparable qualitative and quantitative variables like year of establishment, nationality of the foreign partners, industry, distribution of equity among the partners, number of partners, whose operationalization, whenever necessary, has been accomplished in the course of the presentation.

Database of the study

In the same way as in the predominating part of the countries, where the quoted below empirical studies regarding the characteristics of the IJVs have been carried out, in Bulgaria, too, there are no disaggregated official information sources on the level of IJVs. That is why a database of the IJVs has been established in cooperation with the NSI to find out the trends in their characteristics within the national context. Official information from the Unified Register for the Identification of Economic Subjects, Exercising Activity on the Territory of the Republic of Bulgaria, referred to as BULSTAT Register, which has been in existence under various names since 1974, has more specifically been used to create the database. The BULSTAT Register has been developing in close cooperation with the court, where the legal registration for doing all economic activities is carrying out, and contains data following both the establishment of the economic subjects, and all the subsequent changes that have taken place in connection with them. In our time the BULSTAT Register serves as "a bridge" between

all the other administrative registers in the state, most important among which are the Tax Register and the Customs Information System.

Owing to the absence of a universally accepted definition of IJV, proceeding from previous definitions in specialized literature (Brodley, 1982, pp. 1524-1526; Harrigan, 1986, p. 2, 1988, p. 142; Bresser, 1988, p. 378; Kogut, 1988, p. 319; Borys and Jemison, 1989, p. 245; García Vicente, 1989, pp. 150, 152; Lynch, 1989, p. 7; Geringer, 1991, p. 41; Kredietbank, 1991, p. 2; Shenkar and Zeira, 1992, p. 56; Balakrishnan and Koza, 1993, pp. 99-100; Navarro Elola,1993, p. 4158; Veugelers and Kesteloot, 1994, p. 1800; Cullen *et al.*, 1995, p. 92; Inkpen and Crossan, 1995, p. 596; Bell, 1996, pp. 2, 136; Makino and Beamish, 1998, p. 799; Robson *et al.*, 2002, p. 412; García Canal *et al.*, 2003, p. 744), the following definition has been used to qualify an enterprise as an IJV and for its identification in the BULSTAT Register:

A JV is a newly-established organizational entity, separate from, but whose equity belongs to at least two enterprises, which are independent from each other. From the standpoint of the state hosting foreign investments, a JV is considered international, when:
(1) participating as partners in the JV are foreign enterprises, and at least one local enterprise;
(2) only foreign enterprises participate in a JV as partners, at least one of which is of a nationality different from that of the rest; and
(3) only foreign enterprises of identical nationality participate in a JV as partners.

In the database and in the presentation of the study, the conventional or traditional IJVs from point (1) have been conventionally denoted as Type I, and the non-conventional IJVs from points (2) and (3), as Type II and Type III.

Initially, while encompassing all the subjects, entered in the BULSTAT Register, whose total number amounted to 992,147, by the end of January 31, 2003, the entire population of 723 IJV was identified with 1,780 partners involved. Subsequently, the total number was reduced by one IJV, founded in 1981 – the year, in which IJVs between Bulgarian firms and firms from market economies were established for the first time in Bulgaria after the Second World War (UNECE, 1987, p. 45; Sznajder, 1988, p. 4766), to the final number of 722 IJVs with 1,777 partners established in the 1989-2003 period. The downsizing was necessary so that no distortion could result in the statistical series of distribution by time of emergence, because according to the empirical study of Razvigorova *et al.* (1991), currently 19 out of the total of 20 IJVs, estatblished in Bulgaria in the 1981-1988 period by force of Decree No. 535 of March 25, 1980, had discontinued their operation. On the other hand, 1989 has turned into a suitable starting point for analysis, because it coincides both with the passing of Decree No. 56 of January 13, 1989 on the economic activity (subsequently substituted, in 1991, by the Commercial Law), and with the start of the complex transition process from a centrally planned to market economy, in the wake of 10 November 1989.

The advantage of the method presented for the establishment of a database, in comparison with the predominant method of using information from the economic press (e.g. Ghemawat *et al.*, 1986; Morris and Hergert, 1987; García Canal, 1992; García Canal *et al.*, 1997; Valdés Llaneza and García Canal, 1998; Glaister *et al.*, 1998) consists in the overcoming of the following shortcomings, brought forward by researchers, which result in distortion of the results in the empirical studies:

(1) *Dependence of the information regarding the IJVs, published in the press, on the firms, presenting it.* This dependence introduces several distortions of the results, owing to the following factors:

- Impossibility to encompass the IJVs, in which the parent firms are confidential with regard to offering information for the press.
- The existence of different degrees of information offered to the press by the firms, entailing difficulties in the classification of the data with regard to certain characteristics of the IJVs.
- Misrepresentation of the information offered with the purpose of advertizing.
- Manipulation of the information offered with the purpose of misleading the competitors.

(2) *Dependence of the information on the IJVs, published by the press, on the press itself.* This dependence also introduces distortions in the results, owing to the following factors:

- The different orientation of the printed publications determines whether the information on the IJVs would be published.
- The press usually publishes information on IJVs, whose parent firms are large in size or are well known or are MNEs, neglecting the small and medium-sized parent firms, whereby the databases are biased to the benefit of the large firms.
- Every printed publication lays stress on the IJVs, in which firms of its country are involved as partners.

(3) Distortions of the results, owing to the researchers' use of printed publications mostly from their own countries, resulting in the over-representation in the databases of IJVs, involved in which as partners are firms from their own countries.

Trends found and discussion
Evolution over time of the number of the established IJVs
The results of the distribution of IJVs by years of establishment are illustrated in Figure 1.

The trend of a four-modal undulating development can be established by the graphically presented statistical series of distribution by time of establishment of the IJVs, as a whole, and of Type I, being of special interest (85.9 per cent of the total number), which is characterized by:

(1) accelerative progressive trend until the first peak in 1993, owing to the gradual liberalization of the economy, but also owing to the high degree of uncertainty of the local market as a whole;

(2) a second peak in 1995;

(3) a third maximum peak in 1997, which can be explained by the uncertainty, associated with the crisis environment in Bulgaria in the 1996-1997 period; and

(4) a fourth peak in 2000, after which development tends to decline.

Figure 1 also traces the formation of non-conventional IJVs of Type II (6.5 per cent of the total number) and Type III (7.6 per cent of the total number), which could be explained by the accumulated specific knowledge about the Bulgarian market acquired
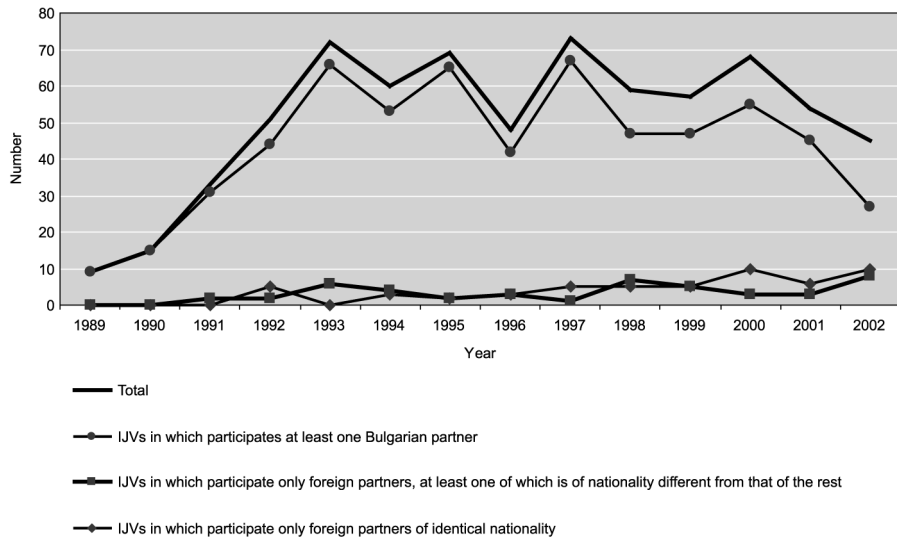
Figure 1.
Evolution over time of the number of the established IJVs

by the foreign firms via previous transactions with local contracting parties, like: export, import, non-equity strategic alliances (licensing agreements, joint research and development agreements, agreements for joint manufacturing, subcontracting agreements, supply agreements, distribution agreements, consortiums) or with the firms' cumulative international experience.

Nationality of the foreign partners in the IJVs
In compliance with the empirical study of Glaister *et al.* (1998), the 58 nationalities of the foreign partners in the IJVs in Bulgaria have been categorized into the following three regions and 11 sub-regions:

(1) *Triad countries:*
  - EU.
  - Other countries of Western Europe (including: Liechtenstein, Malta, Norway, Switzerland).
  - USA.
  - Japan.
  - Mixed – Triad (including the combinations of the sub-regions in Region A).

(2) *Non-Triad countries:*
  - Other OECD member-countries (including: Australia, Canada, Korea, Turkey).
  - Central and Eastern European countries (including: Estonia, Latvia, Macedonia, Poland, Slovakia, Slovenia, Serbia and Montenegro, Hungary, Croatia, the Czech Republic).

- Russia.
- Others.
- Mixed – non-Triad (including combinations of the sub-regions in Region 2).
(3) *Mixed* (1 × 2) (including combinations between Region 1 and Region 2).

The results of the distribution of the IJVs by nationality of the foreign partners (Table I) shows the trend of a predominating association with contracting parties from the Triad (total – 57.2 per cent, and Type I – 56.0 per cent) as compared to association with non-Triad contracting parties (total – 39.2 per cent, and Type I – 41.5 per cent). On the other hand, most active in undertaking JVs are:

- foreign partners from the EU (total – 45.6 per cent, and Type I – 45.3 per cent), which could be justified both by the geographical proximity and by the political and economic relations, ensuing from Bulgaria's future full membership in the EU; and
- foreign partners from Russia (total – 14.1 per cent, and Type I – 16.0 per cent), which could be explained by historical factors.

Industries of the IJVs
Owing to the extremely wide-ranging groupings at the top level of the hierarchy in the National Classification of the Economic Activities, Version 2003 (NCEA-2003), which is the only hierarchical level of all industry classifications, allowed by the NSI to gain promulgation, the Aggregated Nomenclature of Economic Activities A20, approved by the NSI, has been used for a more precise analysis of the distribution of IJVs by industries. For its part, the harmonized Nomenclature A20 has also been confirmed by the EU with a Recommendation of the Commission 96/162/EC of 8 February 1996 and is applied for the purposes of economic analyses and for publications[1].

| | | | Type of the international joint venture | | | | | |
| | Total | | I | | II | | III | |
Nationality of the foreign partners	No.	%	No.	%	No.	%	No.	%
Total	722	100.0	620	100.0	47	100.0	55	100.0
1. Triad countries	413	57.2	347	56.0	32	68.1	34	61.8
EU	329	45.6	281	45.3	19	40.4	29	52.7
Other countries of Western Europe	33	4.6	31	5.0	–	–	2	3.6
USA	31	4.3	29	4.7	–	–	2	3.6
Japan	2	0.3	1	0.2	–	–	1	1.8
Mixed – Triad	18	2.5	5	0.8	13	27.7	–	–
2. Non-Triad countries	283	39.2	257	41.5	5	10.6	21	38.2
Other OECD member-countries	18	2.5	15	2.4	–	–	3	5.5
Central and Eastern European countries	52	7.2	49	7.9	–	–	3	5.5
Russia	102	14.1	99	16.0	–	–	3	5.5
Others	102	14.1	88	14.2	2	4.3	12	21.8
Mixed – non-Triad	9	1.3	6	1.0	3	6.4	–	–
3. Mixed (1 × 2)	26	3.6	16	2.6	10	21.3	–	–

Table I.
Distribution of the IJVs by type and nationality of the foreign partners

The results of the distribution of the IJVs by industries have been presented in Table II.

The three industries, featuring in which is the greatest number of IJVs, regardless of the nationality of the foreign partners, are: trade (37.3 per cent), business services (16.9 per cent), production of intermediate goods (8.2 per cent). The three industries indicated continue to be leading in the same sequence also for the IJVs of Type I (38.4 per cent, 16.9 per cent, 8.2 per cent); the first two of them in the IJVs of Type II (27.7 per cent, 14.9 per cent), and in IJVs of Type III (32.7 per cent, 18.2 per cent). The third industry in which the frequency of IJVs of Type II and Type III is the greatest is, respectively, financial activities (12.8 per cent) and construction (12.7 per cent).

The three leading industries do not vary significantly, either, with respect to the three regions, coming from which are the foreign partners – Table III. Most often the IJVs with partners from the Triad are in trade (26.9 per cent), business services (19.4 per cent), the production of intermediate goods (11.6 per cent); with partners from non-Triad countries are in trade (53.0 per cent), business services (14.5 per cent), transport (6.4 per cent); with partners from the mixed region – in trade (30.8 per cent), production of non-durable consumer goods (15.4 per cent), transport (11.5 percent). The distribution of the IJVs, Type I, of special interest, corresponds to the preceding one involving partners from the Triad (27.4 per cent, 19.6 per cent, 11.8 per cent) and partners from non-Triad countries (53.7 per cent, 14.4 per cent, 6.6 per cent), but partially differs in the case of partners from the mixed region, as follows: trade (31.3 per cent), production of non-durable consumer goods (18.8 per cent) and the same share of 6.3 per cent for agriculture, forestry and fishing, energy and water-related activities,

| | Total | | I | | II | | III | |
Industry	No.	%	No.	%	No.	%	No.	%
Total	722	100.0	620	100.0	47	100.0	55	100.0
Agriculture, forestry and fishing	10	1.4	9	1.5	1	2.1	–	–
Energy and water-related activities	12	1.7	11	1.8	–	–	1	1.8
Production of intermediate goods	59	8.2	51	8.2	3	6.4	5	9.1
Production of motor vehicles	3	0.4	3	0.5	–	–	–	–
Production of capital goods	22	3.1	22	3.6	–	–	–	–
Production of durable consumer goods	3	0.4	3	0.5	–	–	–	–
Production of food and beverages	26	3.6	22	3.6	4	8.5	–	–
Production of non-durable consumer goods	32	4.4	26	4.2	3	6.4	3	5.5
Construction	50	6.9	41	6.6	2	4.3	7	12.7
Trade	269	37.3	238	38.4	13	27.7	18	32.7
Hotels and restaurants	8	1.1	6	1.0	1	2.1	1	1.8
Transport	39	5.4	35	5.7	3	6.4	1	1.8
Post and telecommunications	9	1.3	7	1.1	–	–	2	3.6
Financial activities	23	3.2	14	2.3	6	12.8	3	5.5
Real estate activities	14	1.9	10	1.6	2	4.3	2	3.6
Business services	122	16.9	105	17.0	7	14.9	10	18.2
Cultural and sporting activities	15	2.1	11	1.8	2	4.3	2	3.6
Education	5	0.7	5	0.8	–	–	–	–
Health and social work	1	0.1	1	0.2	–	–	–	–
Public administration	–	–	–	–	–	–	–	–

Type of the international joint venture

Table II.
Distribution of the IJVs by type and industry

Table III. Distribution of the IJVs by type, industry and nationality of the foreign partners (on regional level) (number/per cent)

Values shown as *number / per cent*.

Industry	Total	1. Triad countries — Total	I	II	III	2. Non-Triad countries — Total	I	II	III	3. Mixed (1 × 2) — Total	I	II
Total	722 / 100.0	413 / 100.0	347 / 100.0	32 / 100.0	34 / 100.0	283 / 100.0	257 / 100.0	5 / 100.0	21 / 100.0	26 / 100.0	16 / 100.0	10 / 100.0
Agriculture, forestry and fishing	10 / 1.4	8 / 1.9	7 / 2.1	1 / 3.1	–	1 / 0.4	1 / 0.4	–	–	1 / 3.9	1 / 6.3	–
Energy and water-related activities	12 / 1.7	6 / 1.5	5 / 1.4	–	1 / 2.9	5 / 1.8	5 / 2.0	–	–	2 / 7.7	1 / 6.3	–
Production of intermediate goods	59 / 8.2	48 / 11.6	41 / 11.8	3 / 9.4	4 / 11.7	10 / 3.5	9 / 3.5	–	1 / 4.8	1 / 3.9	1 / 6.3	–
Production of motor vehicles	3 / 0.4	2 / 0.5	2 / 0.6	–	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Production of capital goods	22 / 3.1	11 / 2.7	11 / 3.2	–	–	11 / 3.9	11 / 4.3	–	–	1 / 3.9	1 / 6.3	–
Production of durable consumer goods	3 / 0.4	2 / 0.5	2 / 0.6	–	–	1 / 0.4	1 / 0.4	–	–	–	–	–
Production of food and beverages	26 / 3.6	18 / 4.4	15 / 4.3	3 / 9.4	–	7 / 2.5	7 / 2.7	–	–	1 / 3.9	–	1 / 10.0
Production of non-durable consumer goods	32 / 4.4	24 / 5.8	19 / 5.5	2 / 6.3	3 / 8.8	4 / 1.4	4 / 1.6	–	–	4 / 15.4	3 / 18.8	1 / 10.0
Construction	50 / 6.9	34 / 8.2	29 / 8.4	2 / 6.3	3 / 8.8	15 / 5.3	11 / 4.3	–	4 / 19.1	1 / 3.9	1 / 6.3	–
Trade	269 / 37.3	111 / 26.9	95 / 27.4	8 / 25.0	8 / 23.5	150 / 53.0	138 / 53.7	2 / 40.0	10 / 47.6	8 / 30.8	5 / 31.3	3 / 30.0
Hotels and restaurants	8 / 1.1	5 / 1.2	3 / 0.9	1 / 3.1	1 / 2.9	3 / 1.1	3 / 1.2	–	–	–	–	–
Transport	39 / 5.4	18 / 4.4	17 / 4.9	1 / 3.1	–	18 / 6.4	17 / 6.6	–	1 / 4.8	3 / 11.5	1 / 6.3	2 / 20.0
Post and telecommunications	9	8	7	–	1	1	–	–	1	–	–	–

(*continued*)

Table III.

Note: each cell shows the percentage and the number of firms (percentage, n); "–" denotes none.

Industry	Total	1. Triad countries				2. Non-Triad countries				3. Mixed (1 × 2)		
	Total	Total	I	II	III	Total	I	II	III	Total	I	II
Financial activities	1.3, 23	1.9, 17	2.0, 10	–, 4	2.9, 3	0.4, 4	–, 3	20.0, 1	–, –	7.7, 2	6.3, 1	10.0, 1
Real estate activities	3.2, 14	4.1, 10	2.9, 8	12.5, 1	8.8, 1	1.4, 3	1.2, 2	–, –	4.8, 1	3.9, 1	–, –	10.0, 1
Business services	1.9, 122	2.4, 80	2.3, 68	3.1, 5	2.9, 7	1.1, 41	0.8, 37	20.0, 1	14.3, 3	3.9, 1	–, –	10.0, 1
Cultural and sporting activities	16.9, 15	19.4, 8	19.6, 5	15.6, 1	20.6, 2	14.5, 7	14.4, 6	20.0, 1	–, –	–, –	–, –	–, –
Education	2.1, 5	1.9, 3	1.4, 3	–, –	–, –	2.5, 1	2.4, 1	–, –	–, –	3.9, 1	6.3, 1	–, –
Health and social work	0.7, 1	–, –	–, –	–, –	–, –	0.4, 1	0.4, 1	–, –	–, –	–, –	–, –	–, –
Public administration	0.2, –	–, –	–, –	–, –	–, –	0.4, –	0.4, –	–, –	–, –	–, –	–, –	–, –

the production of intermediate goods, the production of motor vehicles, construction, transport, financial activities, education.

An even more detailed analysis of the industry investments depending on the 11 sub-regions of foreign partners (Tables IV and V) shows that trade and business services again represent the industries where the IJVs, as a whole, and those of Type I, are most frequently concentrated. The exception to this trend are solely the two JVs, involving partners from Japan and some of the JVs from the Mixed (1 × 2) sub-region.

Summing up, the preceding results run counter to the trends, established in previous empirical studies, regarding the investments made in the industries. In this sense, proceeding from the studies of Mariti and Smiley (1983), Reynolds (1984), Artisien and Buckley (1985), Ghemawat *et al.* (1986), Jacquemin *et al.* (1986), Morris and Hergert (1987), Osborn and Baughn (1990), Dussauge and Garrette (1991), Auster (1992), Shenkar and Zeira (1992), Chung *et al.* (1993), Schroath *et al.* (1993), UNCTAD (1994), Lyles and Salk (1996), Hébert and Beamish (1997), García Canal *et al.* (1997), Valdés Llaneza and García Canal (1998), Glaister *et al.* (1998), Lyles *et al.* (2000), Tatoglu (2000), Barba Navaretti *et al.* (2002), the three industries, predominating in which are IJVs, set up with partners whose nationality is only from Triad countries, are the production of chemicals, the production of automobiles, the production of electronics, whereas the IJVs, set up by partners whose nationality is from Triad countries and from non-Triad countries, cover mostly the production of chemicals, the production of miscellaneous machines and equipment, the production of food and drinks, the production of textiles and clothing. The contrast in the IJVs in Bulgaria stands out above all in trade, which is not a leading industry in any one of the empirical studies. Obviously, this different characteristic is associated with the diversification of the customer base of foreign partners in the conditions of a relatively high degree of uncertainty and the limited Bulgarian market, as well as with the low levels of the resources invested to service this market. Nevertheless, an optimistic fact are some positions in the aggregated industry grouping of business services: research and development, activities in the sphere of computer technologies, engineering activities; and in the aggregated industry grouping of the production of intermediate goods: the production of chemicals, the production of electronic elements, which partially correspond to the global trends established.

Distribution of equity among the partners in the IJVs

An analysis of the results in Table VI establishes the trend of the unequal distribution of equity among the partners in all types of IJVs. In the IJVs of Type I, which are of special interest, the unequal distribution of equity, regardless of the nationality of the foreign partners, reaches 73.1 per cent, whereby the unequal distribution of equity with a dominating foreign partner is with greater share (45.5 per cent) than the unequal distribution of equity with a dominating Bulgarian partner (27.6 per cent).

As in preceding empirical studies regarding the distribution of equity in the IJVs, set up by partners whose nationality is from Triad and non-Triad countries (Reynolds, 1984; Beamish, 1985; Blodgett, 1991; Valdés Llaneza and García Canal, 1998; Makino and Beamish, 1998), in the IJVs, Type I, the unequal distribution of the equity among the partners predominates (63.4 per cent) – Table VII, whereby the data of the unequal distribution of equity with a dominating foreign partner and the unequal distribution of equity with a dominating Bulgarian partner are respectively 46.7 per cent and 16.7

Table IV. — Distribution of the IJVs by type, industry and nationality of the foreign partners (on sub-regional level) (number/per cent)

Values shown as *number / per cent*. The columns from "Total" (413) through "Mixed-Triad" fall under the overarching heading **Triad countries**; EU, Other countries of Western Europe, USA, Japan and Mixed-Triad each have sub-columns (Total, I, II, III as applicable).

Industry	Total	Total	EU Total	EU I	EU II	EU III	Other W. Europe Total	Other W. Europe I	Other W. Europe III	USA Total	USA I	USA III	Japan Total	Japan I	Japan III	Mixed-Triad Total	Mixed-Triad I	Mixed-Triad II
Total	722 / 100	413 / 100	329 / 100	281 / 100	19 / 100	29 / 100	33 / 100	31 / 100	2 / 100	31 / 100	29 / 100	2 / 100	2 / 100	1 / 100	1 / 100	18 / 100	5 / 100	13 / 100
Agriculture, forestry and fishing	10 / 1.4	8 / 1.9	7 / 2.1	6 / 2.1	1 / 5.3	–	–	–	–	1 / 3.2	1 / 3.5	–	–	–	–	–	–	–
Energy and water-related activities	12 / 1.7	6 / 1.5	5 / 1.5	4 / 1.4	–	1 / 3.5	–	–	–	–	–	–	–	–	–	1 / 5.6	1 / 20.0	–
Production of intermediate goods	59 / 8.2	48 / 11.6	38 / 11.6	32 / 11.4	2 / 10.5	4 / 13.8	7 / 21.2	7 / 22.6	–	2 / 6.5	2 / 6.9	–	–	–	–	1 / 5.6	–	1 / 7.7
Production of motor vehicles	3 / 0.4	2 / 0.5	1 / 0.3	1 / 0.4	–	–	–	–	–	–	–	–	–	–	–	1 / 5.6	1 / 20.0	–
Production of capital goods	22 / 3.1	11 / 2.7	11 / 3.3	11 / 3.9	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Production of durable consumer goods	3 / 0.4	2 / 0.5	1 / 0.3	1 / 0.4	–	–	1 / 3.0	1 / 3.2	–	–	–	–	–	–	–	–	–	–
Production of food and beverages	26 / 3.6	18 / 4.4	16 / 4.9	13 / 4.6	3 / 15.8	–	1 / 3.0	1 / 3.2	–	1 / 3.2	1 / 3.5	–	–	–	–	–	–	–
Production of non-durable consumer goods	32 / 4.4	24 / 5.8	21 / 6.4	16 / 5.7	2 / 10.5	3 / 10.4	1 / 3.0	1 / 3.2	–	2 / 6.5	2 / 6.9	–	–	–	–	–	–	–
Construction	50 / 6.9	34 / 8.2	28 / 8.5	25 / 8.9	1 / 5.3	2 / 6.9	3 / 9.1	3 / 9.7	–	1 / 3.2	1 / 3.5	–	1 / 50.0	–	1 / 100	1 / 5.6	–	1 / 7.7
Trade	269 / 37.3	111 / 26.9	87 / 26.4	78 / 27.8	3 / 15.8	6 / 20.7	11 / 33.3	10 / 32.3	1 / 50.0	7 / 22.6	6 / 20.7	1 / 50.0	–	–	–	6 / 33.3	1 / 20.0	5 / 38.5

(continued)

Industry	Total	Triad countries — Total	EU Total	EU I	EU II	EU III	Other countries of Western Europe — Total	Other I	Other III	USA Total	USA I	USA III	Japan Total	Japan I	Japan III	Mixed-Triad Total	Mixed-Triad I	Mixed-Triad II
Hotels and restaurants	8 / 1.1	5 / 1.2	4 / 1.2	2 / 0.7	1 / 5.3	1 / 3.5	–	–	–	–	–	–	–	–	–	1 / 5.6	1 / 20.0	–
Transport	39 / 5.4	18 / 13	13 / 13	13 / 4.6	–	–	1 / 3.0	1 / 3.2	–	3 / 9.7	3 / 10.3	–	–	–	–	1 / 5.6	–	1 / 7.7
Post and telecommunications	9 / 1.3	8 / 1.9	6 / 1.8	5 / 1.8	–	1 / 3.5	1 / 3.0	1 / 3.2	–	1 / 3.2	1 / 3.5	–	–	–	–	–	–	–
Financial activities	23 / 3.2	17 / 4.1	10 / 3.0	5 / 1.8	2 / 10.5	3 / 10.4	1 / 3.0	1 / 3.2	–	3 / 9.7	3 / 10.3	–	1 / 50.0	1 / 100	–	2 / 11.1	–	2 / 15.4
Real estate activities	14 / 1.9	10 / 2.4	8 / 2.4	7 / 2.5	1 / 5.3	–	1 / 3.0	–	1 / 50.0	1 / 3.2	1 / 3.5	–	–	–	–	–	–	–
Business services	122 / 16.9	80 / 19.4	63 / 19.2	55 / 19.6	2 / 10.5	6 / 20.7	4 / 12.1	4 / 12.9	–	9 / 29.0	8 / 27.6	1 / 50.0	–	–	–	4 / 22.2	1 / 20.0	3 / 23.1
Cultural and sporting activities	15 / 2.1	8 / 1.9	7 / 2.1	4 / 1.4	1 / 5.3	2 / 6.9	1 / 3.0	1 / 3.2	–	–	–	–	–	–	–	–	–	–
Education	5 / 0.7	3 / 0.7	3 / 0.9	3 / 1.1	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health and social work	1 / 0.1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Public administration	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table IV.

Industry	Total (Total)	Total (Total)	Other OECD member-countries Total	Other OECD I	Other OECD III	CEE Total	CEE I	CEE III	Russia Total	Russia I	Russia III	Others Total	Others I	Others II	Others III	Mixed – non-Triad Total	Mixed – non-Triad I	Mixed – non-Triad II	3. Mixed (1 × 2) Total	3. Mixed (1 × 2) I	3. Mixed (1 × 2) II
Total	722 / 100	283 / 100	18 / 100	15 / 100	3 / 100	52 / 100	49 / 100	3 / 100	102 / 100	99 / 100	3 / 100	102 / 100	88 / 100	2 / 100	12 / 100	9 / 100	6 / 100	3 / 100	26 / 100	16 / 100	10 / 100
Agriculture, forestry and fishing	10 / 1.4	1 / 0.4	–	–	–	1 / 1.9	1 / 2.0	–	–	–	–	–	–	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Energy and water-related activities	12 / 1.7	5 / 1.8	1 / 5.6	1 / 6.7	–	–	–	–	4 / 3.9	4 / 4.0	–	–	–	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Production of intermediate goods	59 / 8.2	10 / 3.5	2 / 11.1	2 / 13.3	–	2 / 3.9	2 / 4.1	–	2 / 2.0	1 / 1.0	1 / 33.3	4 / 3.9	4 / 4.6	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Production of motor vehicles	3 / 0.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Production of capital goods	22 / 3.1	11 / 3.9	1 / 5.6	1 / 6.7	–	1 / 1.9	1 / 2.0	–	5 / 4.9	5 / 5.1	–	3 / 2.9	3 / 3.4	–	–	1 / 11.1	1 / 16.7	–	–	–	–
Production of durable consumer goods	3 / 0.4	1 / 0.4	–	–	–	–	–	–	1 / 1.0	1 / 1.0	–	–	–	–	–	–	–	–	–	–	–
Production of food and beverages	26 / 3.6	7 / 2.5	–	–	–	–	–	–	1 / 1.0	1 / 1.0	–	6 / 5.9	6 / 6.8	–	–	–	–	–	1 / 3.9	–	1 / 10.0
Production of non-durable consumer goods	32 / 4.4	4 / 1.4	–	–	–	–	–	–	3 / 2.9	3 / 3.0	–	1 / 1.0	1 / 1.1	–	–	–	–	–	4 / 15.4	3 / 18.8	1 / 10.0
Construction	50 / 6.9	15 / 5.3	2 / 11.1	2 / 13.3	–	6 / 11.5	4 / 8.2	2 / 66.7	4 / 3.9	4 / 4.0	–	3 / 2.9	1 / 1.1	–	2 / 16.7	–	–	–	1 / 3.9	1 / 6.3	–
Trade	269 / 37.3	150 / 53.0	6 / 33.3	5 / 33.3	1 / 33.3	24 / 46.2	23 / 46.9	1 / 33.3	61 / 59.8	59 / 59.6	2 / 66.7	56 / 54.9	49 / 55.7	1 / 50.0	6 / 50.0	3 / 33.3	2 / 33.3	1 / 33.3	8 / 30.8	5 / 31.3	3 / 30.0
Hotels and Restaurants	8 / 1.1	3 / 1.1	–	–	–	2 / 3.9	2 / 4.1	–	1 / 1.0	1 / 1.1	–	1 / 1.0	1 / 1.1	–	–	–	–	–	–	–	–
Transport	39 / 5.4	18 / 6.4	1 / 5.6	1 / 6.7	–	2 / 3.9	2 / 4.1	–	5 / 4.9	5 / 5.1	–	9 / 8.8	8 / 9.1	–	1 / 8.3	1 / 11.1	1 / 16.7	–	3 / 11.5	1 / 6.3	2 / 20.0
Post and telecommunications	9 / 1.3	1 / 0.4	1 / 5.6	1 / 6.7	1 / 33.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

(continued)

| Industry | Total | | Other OECD member-countries | | | Central and Eastern European countries | | | 2. Non-Triad countries | | | | | | | | | | | 3. Mixed (1 × 2) | 3. Mixed (1 × 2) |
| | | | | | | | | | Russia | | | | Others | | | Mixed – non-Triad | | | | | |
	Total	Total	Total	I	III	Total	I	III	Total	I	III	Total	I	II	III	Total	I	II	Total	I	II
Financial activities	23 / 3.2	4 / 1.4	–	–	–	–	–	–	2 / 2.0	2 / 2.0	–	1 / 1.0	1 / 1.1	–	–	1 / 11.1	–	1 / 33.3	2 / 7.7	1 / 6.3	1 / 10.0
Real estate activities	14 / 1.9	3 / 1.1	–	–	–	–	–	–	–	–	–	3 / 2.9	2 / 2.3	–	1 / 8.3	–	–	–	1 / 3.9	–	1 / 10.0
Business services	122 / 16.9	41 / 14.5	3 / 16.7	2 / 13.3	1 / 33.3	13 / 25.0	13 / 26.5	–	12 / 11.8	12 / 12.1	–	11 / 10.8	9 / 10.2	–	2 / 16.7	2 / 22.2	1 / 16.7	1 / 33.3	1 / 3.9	–	1 / 10.0
Cultural and sporting activities	15 / 2.1	7 / 2.5	–	–	–	1 / 1.9	1 / 2.0	–	1 / 1.0	1 / 1.0	–	4 / 3.9	3 / 3.4	1 / 50.0	–	1 / 11.1	1 / 16.7	–	–	–	–
Education	5 / 0.7	1 / 0.4	1 / 5.6	1 / 6.7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1 / 3.9	1 / 6.3	–
Health and social work	1 / 0.1	1 / 0.4	–	–	–	–	–	–	1 / 1.0	1 / 1.0	–	–	–	–	–	–	–	–	–	–	–
Public administration	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Table V.

per cent. This unbalanced distribution of equity is usually the result of the unbalanced distribution of the bargaining power among the potential partners, whose source are the respective contributions of resources of the partners in the IJVs. In this sense, one of the founding firms may attain a greater bargaining power with respect to the others, if it contributes the resources, which are critical for the success of the IJV (Pfeffer and Salancik, 1978; Harrigan, 1986; Harrigan and Newman, 1990; Blodgett, 1991; Yan and Gray, 1994). A typical example of the possession of a greater bargaining power are the MNEs, setting up IJVs with firms from less developed countries.

The trend of the unbalanced distribution of equity indicated persists also in the IJVs, set up by partners with nationality from non-Triad countries and from Bulgaria (62.2 per cent), but in these IJVs the Bulgarian partners dominate their foreign partners in 33.2 per cent of the cases. This trend is determined by the surprisingly big share of the unequal distribution of equity with a dominating Bulgarian partner in the case of the IJVs, set up by partners, whose nationality is from Russia and Bulgaria.

The trend of the unequal distribution of equity among partners also persists in the IJVs of Type I from the Mixed (1 × 2) region (57.7 per cent), in which the Bulgarian parent firms dominate in 30.8 per cent of the cases.

On the other hand, the trend identified by Burton and Saelens (1982), Killing (1983), Dussauge and Garrette (1991), Blodgett (1991), Inkpen and Crossan (1995), Hébert and Beamish (1997), Valdés Llaneza and García Canal (1998), of the relatively equal distribution of equity in the IJVs, set up by partners, whose nationality is solely from Triad countries, as shown on Table VIII, by way of some of the IJVs of Type II and Type III, has not been confirmed.

Number of partners in the IJVs
After an analysis of the results in Table VIII, it has been found that IJVs of all types, set up by two partners predominate (77.2 per cent). This characteristic of the IJVs in Bulgaria corresponds to the same trend, identified in preceding studies (Jacquemin *et al.*, 1986; Morris and Hergert, 1987; Dussauge and Garrette, 1991; Shenkar and Zeira, 1992; Lyles and Salk, 1996; García Canal *et al.*, 1997; Valdés Llaneza and García Canal, 1998; Makino and Beamish, 1998; Glaister *et al.*, 1998; Lyles *et al.*, 2000), whereby it is even more prominent in the non-conventional IJVs of Type II (89.4 per cent) and Type III (85.5 per cent), than in the traditional model of IJVs of Type I (75.5 per cent). The indicated trend is associated with the organizational hardships cropping up in increasing the number of partners, and these hardships are determined by the

| | Total | | Type of the international joint venture | | | | | |
| | | | I | | II | | III | |
Distribution of equity among the partners	No.	%	No.	%	No.	%	No.	%
Total	722	100.0	620	100.0	47	100.0	55	100
Equal distribution of equity	197	27.3	167	26.9	16	34.0	14	25.5
Unequal distribution of equity with a dominating foreign partner	354	49.0	282	45.5	31	66.0	41	74.6
Unequal distribution of equity with a dominating Bulgarian partner	171	23.7	171	27.6	–	–	–	–

Table VI.
Distribution of the IJVs by type and distribution of equity among the partners

Nationality of the foreign partners	Total	Equal distribution of equity				Unequal distribution of equity with a dominating foreign partner				Unequal distribution of equity with a dominating Bulgarian partner	
		Total	I	II	III	Total	I	II	III	Total	I
Total	722 100.0	197 27.3	167 23.1	16 2.2	14 1.9	354 49.0	282 39.1	31 4.3	41 5.7	171 23.7	171 23.7
1. Triad countries	413 100.0	100 24.2	85 20.6	10 2.4	5 1.2	244 59.1	193 46.7	22 5.3	29 7.0	69 16.7	69 16.7
EU	329 100.0	81 24.6	72 21.9	6 1.8	3 0.9	195 59.3	156 47.4	13 4.0	26 7.9	53 16.1	53 16.1
Other countries of Western Europe	33 100.0	7 21.2	6 18.2	–	1 3.0	17 51.5	16 48.5	–	1 3.0	9 27.3	9 27.3
USA	31 100.0	8 25.8	7 22.6	–	1 3.2	16 51.6	15 48.4	–	1 3.2	7 22.6	7 22.6
Japan	2 100.0	–	–	–	–	2 100.0	1 50.0	–	1 50.0	–	–
Mixed-Triad	18 100.0	4 22.2	–	4 22.2	–	14 77.8	5 27.8	9 50.0	–	–	–
2. Non-Triad countries	283 100.0	93 32.9	81 28.6	3 1.1	9 3.2	96 33.9	82 29.0	2 0.7	12 4.2	94 33.2	94 33.2
Other OECD member-countries	18 100.0	3 16.7	3 16.7	–	–	11 61.1	8 44.4	–	3 16.7	4 22.2	4 22.2
Central and Eastern European countries	52 100.0	19 36.5	17 32.7	–	2 3.9	19 36.5	18 34.6	–	1 1.9	14 26.9	14 26.9
Russia	102 100.0	32 31.4	31 30.4	–	1 1.0	22 21.6	20 19.6	–	2 2.0	48 47.1	48 47.1
Others	102 100.0	35 34.3	27 26.5	2 2.0	6 5.9	40 39.2	34 33.3	–	6 5.9	27 26.5	27 26.5
Mixed-Non-Triad	9 100.0	4 44.4	3 33.3	1 11.1	–	4 44.4	2 22.2	2 22.2	–	1 11.1	1 11.1
3. Mixed (1 × 2)	26 100.0	4 15.4	1 3.9	3 11.5	–	14 53.9	7 26.9	7 26.9	–	8 30.8	8 30.3

Table VII.
Distribution of the IJVs by type, distribution of equity among the partners and nationality of the foreign partners (number/per cent)

problematic reaching of a consensus regarding the objectives and the strategy of the IJV.

The results, related to the average number of partners in the IJVs in Bulgaria – totally 2.46 – again comply with the two-partner profile of the IJVs identified by researchers (García Canal *et al.*, 1997; Valdés Llaneza and García Canal, 1998; Lyles *et al.*, 2000) – Table IX. The diverging data in the analysis of the joint effect of the average number of partners and the nationality of the foreign partners have been solely found in one of the two JVs, involving partners from Japan (7.00 – Type I) and in the three mixed sub-regions (Mixed – Triad: total – 3.06, and Type I – 5.20; Mixed – non-Triad: total – 3.33, and Type I – 3.83; Mixed (1 × 2): total – 3.81, and Type I –

| | | | Type of the international joint venture | | | | | |
| | Total | | I | | II | | III | |
Number of partners	No.	%	No.	%	No.	%	No.	%
Total	722	100.0	620	100.0	47	100.0	55	100.00
2	557	77.2	468	75.5	42	89.4	47	85.5
3	101	14.0	91	14.7	3	6.4	7	12.7
4	29	4.0	29	4.7	–	–	–	–
5	13	1.8	11	1.8	1	2.1	1	1.8
6	5	0.7	5	0.8	–	–	–	–
7	7	1.0	7	1.1	–	–	–	–
8	3	0.4	3	0.5	–	–	–	–
9	2	0.3	2	0.3	–	–	–	–
10	1	0.1	1	0.2	–	–	–	–
11	1	0.1	–	–	1	2.1	–	–
12	1	0.1	1	0.2	–	–	–	–
13	1	0.1	1	0.2	–	–	–	–
14	1	0.1	1	0.2	–	–	–	–

Table VIII.
Distribution of the IJVs by type and number of partners

| | | Average number of partners | | |
Nationality of the foreign partners	Average number of partners	I	II	III
Average number of partners	2.46	2.50	2.32	2.18
1. Triad countries	2.45	2.49	2.16	2.24
EU	2.41	2.45	2.11	2.28
Other countries of Western Europe	2.55	2.58	–	2.00
USA	2.19	2.21	–	2.00
Japan	4.50	7.00	–	2.00
Mixed-Triad	3.06	5.20	2.23	–
2. Non-Triad countries	2.37	2.39	2.20	2.10
Other OECD member-countries	2.28	2.33	–	2.00
Central and Eastern European countries	2.13	2.14	–	2.00
Russia	2.51	2.52	–	2.33
Others	2.27	2.31	2.00	2.08
Mixed-non-Triad	3.33	3.83	2.33	–
3. Mixed (1 × 2)	3.81	4.38	2.90	–

Table IX.
Distribution of the IJVs by type, average number of partners and nationality of the foreign partners

4.38, and Type II – 2.90). These diverging results can be explained by the existence of concrete IJVs with a great number of the parent firms.

Concluding remarks

With the presentation of new knowledge, based on disaggregated official information from the principal administrative register in Bulgaria, the present study extends and supplements the theme regarding the characteristics of the IJVs, a theme which has become established as one attracting the academic community researchers' interest in the 40-year long history of economic studies, going back to the work of Friedmann and Kalmanoff (1961) on this mode of implementing international transactions. Specifically, the results of the study bear out the existence of common trends with the trends established in previous studies on conventional IJVs, in this case, set up by partners, whose nationality is from Triad countries, and from Bulgaria, like: the overwhelming share of the IJVs, formed by two partners, and the unequal distribution of the equity among the partners. Diverging results have been found with respect to the industry investments made in trade, representing the industry, where the frequency of this type of IJVs is the greatest. On the other hand, it has been established that the non-conventional IJVs in Bulgaria, set up by partners, whose nationality is solely from Triad countries, despite of their predominant two-partner profile, show characteristics, different from the established global trends, related again to the trade industry, as well as to the unbalanced distribution of equity among the partners.

Finally, notwithstanding the generalized results obtained, owing to the coverage of the entire population of IJVs, future studies regarding their characteristics in Bulgaria should have not only structural, but also motivational and outcome variables superimposed.

Note

1. The correspondence between the positions in A20 and NCEA-2003 have been reflected in the Table "Nomenclature A20" at the web site of the NSI (www.nsi.bg/Classifics/Notes-agr.htm).

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