Happy About

Joint-Venturing

The 8 Key Critical Factors of Success

By Valerie Orsoni-Vauthey

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Book Excerpt
The 8 Critical Factors of Success

By Valerie Orsoni-Vauthey

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**Introduction**

*If you can't beat 'em, join 'em. Two heads are better than one. United we stand.* If you are a business owner who wants to significantly increase market reach, break down barriers to entry in your market, or simply generate skyrocketing revenues in a shorter amount of time, these old adages are becoming more and more relevant.

According to the Commonwealth Alliance Program (CAP), businesses anticipate strategic alliances accounted for 25% of all revenues in 2005, a total of 40 trillion dollars. This figure has been steadily growing over the past few years as more solopreneurs and Work At Home Parents (WAHPs) decide to unite to augment their odds of survival in a highly competitive global environment.

If you are an aspiring joint venturer who needs to acquire some key knowledge before making the decision to jump into this new world, or if you have already made the decision to start a joint venture but don’t know where to begin, this “How-To” handbook is for you. Also, whether you seek funding or not, the information in these pages will give you the proper foundation for achieving your financial goals.

This book’s mission will be two-fold: First, we will dive together into the technical aspects of joint venturing (JV), and I will give you the nuts and bolts of what a joint venture is and how to make
yours successful. I am also going to expose some of the myths and realities of joint ventures so you can avoid the major pitfalls that are sometimes associated with this unique partnership. Second, I will cover the Eight Critical Factors of Success in the next eight chapters.

1. The Right Partner
2. Timing and Vision
3. Organization
4. Business Planning
5. Human Resources and Skills Integration
6. Plan Execution
7. New Brand Marketing
8. Exit Strategies - The End

As you go through these, I strongly recommend you keep a note pad handy and jot down all of the ideas that will inevitably come up.

If you are thinking about starting a JV yourself, draw two columns on a page. On the right side, put the essential elements for your JV to be a success, and on the left side, write your current situation. For instance, when I list the ideal traits for the right partner, compare them with your anticipated associate. This will help you determine the gap between required and available elements, how much work you need to achieve your goals and what difficulties lay ahead.

As you do your homework, write a business plan, look for and find a great partner and be ready to work hard towards achieving your goals. You will greatly increase your chances of success and be well on your way to an amazing and rewarding journey!

Are you ready to embark on this (joint) adventure together? It is time to get Happy About™ Joint Venturing!
Chapter 1

The Right Partner

Seneca

“It’s not because things are difficult that we dare not venture. It’s because we dare not venture that they are difficult.”

You are about to learn one of the most powerful tools I know of for being successful in today’s competitive business atmosphere. I’m of course talking about joint ventures, or specifically, teaming up with another person, group of persons, or business entity for the purpose of expanding your business influence and creating a more powerful market presence.

In the following chapters, I will take the mystery out of what some consider to be a very complex subject and break it down into simplistic terms that are not only easy to understand, but more importantly, easy to implement for your own benefit.

Joint ventures are in, and if you’re not utilizing this strategic weapon, chances are your competition is, or will soon be, using this to their advantage.... possibly against you!
We hear of joint venture success stories every day in the media. Most are legitimate viable projects. However some, including ones you hear about on the Internet that promote strategic alliances that can make you rich overnight without a business plan, product, or service, are the ones to beware of. This book will teach you to recognize the pitfalls and give you the highest chance of success.

Our primary goal is to make you a successful joint venturer. This will happen if you are an informed entrepreneur. Thus, it is necessary for us to dive into the technical aspects of joint ventures. Specifically:

• What is a joint venture?
• How does it work?
• Should I start a joint venture?
• What are my chances of success?
• What are the risks involved?
• What are the legal implications of a joint venture?

What is a joint venture?

A joint venture is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, and, of course, profits.

A joint venture differs from a merger in the sense that there is no transfer of ownership in the deal.

This partnership can happen between goliaths in an industry. Cingular, for instance, is a strategic alliance between SBS and Bellsouth. It can also occur between two small businesses that believe partnering will help them successfully fight their bigger competitors.

Companies with identical products and services can also join forces to penetrate markets they wouldn’t or couldn’t consider without investing tremendous resources. Furthermore, due to local regulations, some markets can only be penetrated via joint venturing with a local business. In some cases, a large company can decide to form a joint venture with a smaller business in order to quickly acquire critical intellectual property, technology, or resources otherwise hard to obtain, even with plenty of cash at their disposal.
The critical aspect of a joint venture does not lie in the process itself but in its execution.

**How does a joint venture work?**

The process of partnering is a well-known, time-tested principle. The critical aspect of a joint venture does not lie in the process itself but in its execution. We all know what needs to be done: specifically, it is necessary to join forces. However, it is easy to overlook the “hows” and “whats” in the excitement of the moment.

We will look at the “hows” in our review of the Eight Critical Factors of Success. For the moment, let’s keep in mind that all mergers, large or small, need to be planned in detail and executed following a strict plan in order to keep all the chances of success on your side.

The “whats” should be covered in a legal agreement that will carefully list which party brings which assets (tangible and intangible) to the joint venture, as well as the objective of this strategic alliance. Although joint venture legal agreement templates can readily be found on the Internet, I suggest you seek the appropriate legal advice when entering such a business relationship.

**Should I start a joint venture?**

There is no straight answer to this question. The decision involves addressing various elements. Consider copying the following questions on a word processing document, so that you can constantly address and answer those important elements before and as you move forward.

Important questions to consider:

**NOTE:** Please use the template available at:
[http://HappyAbout.info/jointventuring/](http://HappyAbout.info/jointventuring/)
1. What do I sell, and how do I reach my target market?
2. Who are my competitors? If they are better at generating revenues and reaching the marketplace than me, what do they have that I don’t?
3. Are there geographical areas that will remain beyond reach without local partners, or acquisition costs that are simply too high?
4. Do I need to develop a know-how, which has already been developed by a company or by an individual?
5. Is there a logical business partner that could help me develop a vertical or horizontal market penetration?
6. Do I have all the human resources I need in marketing, R&D, production, or operations? Is there a company I know which would have resources complementary to mine?
7. How do I feel about combining resources? Do I like to lead by myself and act as a solitary business hero, or am I fine with sharing the pie? Do I think it is better to own 20% of a $200 million company or 100% of a $1 million small business?
8. Do I have access to the right legal resources to structure the joint venture and insure all aspects are duly covered?
9. Are there local legal regulations I can bypass by partnering with a local business?
10. Do I have access to successful joint venturers who can share their experience with me?
11. Do I understand that going through the decision process entails sitting down and taking the time to write a full-fledged joint business plan?
12. Am I aware that in the vast majority of cases, merging activities, even when not necessarily identical, will result in an inevitable workforce reduction? How do I feel about letting go of some of my most faithful employees?
13. Am I looking at partnering because I don’t see another way out of my current business problems? (Joint venturing should not be considered as a last resort action, but rather as one course of action among several others. This decision needs to be taken in a careful and methodical manner.)
14. Do I already know of a person or a company that I see has a real interest in partnering? Have I discussed this possibility with this person or with the person in charge of the targeted company? If yes, what is the general feeling? If no, then it is time to start a high-level discussion to gauge the level of interest.

15. Is my company in need of more credibility? Do I know of a potential joint venture target, which has the level of credibility I am seeking?

16. What are my strengths and weaknesses? What are the threats and opportunities in my target market?

17. Do I have all the support I need to go through this major change in my business life? If I am going through personal turbulences, does it make sense to start such a major project?

18. What are my chances of success?

Although there are no official statistics on the rate of success of specific strategic alliances, like joint ventures, per se, a few studies have, however, been conducted in this field. Their main findings were that most joint ventures fail about 60% of the time within five years. Why? Experts agree that the key to success is the human factor, such as human resources integration and knowledge sharing, rather than geographical or financial factors.

Most joint ventures fail about 60% of the time within five years.

Keep in mind that joint venturing in third world countries entails a higher rate of failure. Lack of local legal knowledge, communication problems, divergence on agreed-upon objectives, differing deadline perceptions, etc., all contribute to this elevated rate.

How do we measure the performance of a joint venture? There are several formulas that can be used. It depends on the strategic alliance in the first place. Do you wish to:

- Increase profits?
- Share R&D expenses?
• Extend or maintain market position?
• Improve distribution channels?
• Reduce overall costs/economies of scale?
• Develop new technology?
• Diversify product offerings?
• Reduce competition?
• Spread risk (mainly on large investments)?

Some of those goals are easily translated into financial figures like “percentage of increased profits,” “who incurs which expenses,” and “increased product offerings.” For example, if you were planning to increase your profits by 20%, you just need to compare your achievements with your previous situation, and you will know with certainty how well your joint venture performed.

Though some objectives are hard to quantify, like “reducing competition,” for instance, methods are always available to analyze how well a joint venture’s plan was executed. One could argue that if competition is cut down, then profits should increase.

If reducing competition has the sole objective of stabilizing or reversing a slowing revenue growth, it is easy to demonstrate the positive impact a strategic alliance could have on such a goal.

Remember, the key determining element responsible for joint venture failures is the human factor. Being able to make your employees feel comfortable about a potentially disturbing strategic alliance will be crucial to your success. This implies that not only must both sides understand how much they have to gain from this joint venture, but more importantly, how much they can lose by not partnering.

Information sharing will be vital, and it is essential that as early as possible, both teams talk and exchange their knowledge. This entails meetings, steering committees, joint company events, employee “swaps” and internal promotions.

Going back to our primary question: what are my chances for success? We know that on average, only about 40% of joint ventures are successful within five years. Since this figure includes partnerships with underdeveloped countries; which have a high rate of failure, we can
reasonably state that if you join forces with a company located in a developed area and have done your homework, your probability of success should be closer to 80%.

**What are the risks involved?**

Because strategic alliances are built on trust and convergent goals, one of the main risks you can face may occur if the partners are from different cultures. They may not trust operating a certain “way” or have divergent goals. Even with similar strategic goals, two partners who lack trust in each other may lack the willingness to reciprocate. When joint venturing, be prepared to give and take.

This sharing principle should govern the entire process. Many potential joint ventures, including large-scale projects, have died before the ink on the contract was dry, because of divergent goals and self-serving attitudes, which are not in synch with the essence of the joint venture. One example of this was the British Aerospace/Taiwan Aerospace alliance. After tough negotiations, the two parties signed an agreement during a celebrated ceremony in Taiwan. Soon after, Taiwan announced its wish to pull out of the deal. Why? Because their goals were divergent. Taiwan wanted to acquire new technology, which the British refused to give away, and the British wanted to capture new markets in Asia, which Taiwan refused to grant.

A joint venture concept is only effective when there is a true willingness to move forward together. Not even signed contracts have value if mutual trust and acceptance of the terms are not present. It is actually better not to consider a joint venture project if motives from either side are questioned by the other side. A graceful exit before any legal obligation takes effect will most likely prevent an inevitable failure.

The risks involved are therefore simple to evaluate. You can:

- Waste your time
- Lose money
- Let go of important technology
- Gain nothing of significance in return
- Squander your credibility
Even though these and other risks in joint ventures are present, the rewards can far outweigh pitfalls. It is important to completely evaluate your risks, and do your homework before and during the process.

**What are the legal implications of a joint venture?**

The geographical locations of the partners and target markets involved will dictate the degree of legal complexity when joint venturing.

If you both operate in the United States, you will need to sign at least one document: a joint venture agreement. Because of the rapid evolution of legislation, I strongly suggest you seek the proper legal advice, rather than using a pre-made template that is readily found on the Internet or in books.

If one of the partners is not located in the United States, or if both parties are foreign, additional documents will need to be signed: specifically, a New Legal Entity and a Joint Venture Agreement. Also, in some countries where local market access is restricted, you will have to go through a local “Validation” of your privileges and of the status of your joint venture.

Again, there are always legal variances depending on the goals and scope of your joint venture. I cannot stress strongly enough to go through the proper legal channels and seek comprehensive professional advice.
Chapter 1 Highlights

• A joint venture is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, and, of course, profits.
• A joint venture is different from a merger, where transfer of ownership is part of the deal.
• You have an 80% chance of success when starting a joint venture, if you do your homework and follow the steps outlined in this book.
• The major determining factor of success or failure in a joint venture lies within the human factor. By putting the right people in the right positions, you greatly augment your chances for achieving your goals.
• Seek legal advice, especially if you are targeting a foreign market.
About the Author

Valerie Orsoni-Vauthey is the CEO and Founder of MyPrivateCoach.com, a leading USA and European coaching organization. Her experience in banking and venture capital has allowed her to participate in a number of successful joint ventures, including: one in the artificial intelligence field (sold), one in the online retailing business (sold), and one in the online services world (30dayBootCamp.com). She is a regular guest on the Good Life Show, invited on business radio shows in Europe and frequently interviewed by the press.

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