

# Patience and preparation

Joint ventures work when companies take time to evaluate a path to success

INTERVIEWED BY MARK SCOTT

One of the biggest impediments to the proper structuring of a joint venture is impatience, says Mark E. Krohn, a Partner at Brouse McDowell.

“So many companies become enamored with the perceived benefits that they rush to a contract or mobilizing instead of fully evaluating the opportunity from each organization’s perspective,” Krohn says.

It’s really the early-stage conversations about the mechanics of how the partnership works, what each team will do, how each party benefits, and how the partners will monitor success and react to adversity that often make or break a joint venture.

“Companies often underestimate what’s really involved in a joint venture and bringing two disparate companies together,” Krohn says.

Working within your own organization can be difficult at times, and as such, building a partnership with someone else who has needs, wants, concerns and organizational challenges as well, can really add to the complexity.

*Smart Business* spoke with Krohn about how to overcome these challenges and to achieve a stronger and successful joint venture.

## What are some key motivating factors for pursuing a joint venture?

**Gain.** Joint ventures allow two companies to identify opportunities for additional sales, revenue and profitability.


Many times, the opportunities presented are ones that the other partner might not otherwise be aware of or have an avenue of attack, absent the joint venture.

## Where do companies get into trouble?

The trouble begins when companies

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unrealistically believe that the joint venture will be easy and discount the planning, attention and thought that must go into a joint venture on the front end. Early on in the discussions, parties need to get company executives, key company stakeholders, accountants, lawyers and other relevant business advisers involved in those joint venture discussions so that these advisers can create a comprehensive road map to success and create a contract that clearly details the execution strategy going forward.

When the proper planning has not happened, you are in the middle of it and you realize there’s more to it, the results are always destructive. Expectations are not met, feelings get hurt and stress increases. At that point, it’s much more difficult to iron out those details without causing significant delay and organizational dysfunction. That dysfunction is not just at the joint venture level, it is also within the joint venture companies’ core businesses.

As such, it is imperative that you have leaders and advisers from your company who are going to be impacted or will have a part in driving the joint venture on the evaluation side and work through these issues upfront. Once you get your own house in order, go over the same questions and issues with the other side, as they will have the same or similar concerns and challenges.

## How can you increase the odds of success with your joint venture?

It’s pretty simple, don’t be penny-wise and pound-foolish. People occasionally avoid getting advisers involved early because they want to save on costs. The worst thing a company can do is try to save a few dollars on the front end, only to realize after several months that the joint venture didn’t work, you didn’t structure it properly or the documents weren’t well-crafted. Engage in proper planning to avoid an unproductive or worse, destructive, joint venture. You could be saving the company exponentially more time, money and resources in the long run.

Taking the time to understand what is important to both parties and what effort is needed is critical. Creating a pathway to success by educating team members of their roles at every level, and establishing performance indicators or checkpoints as you would for other critical aspects of your business helps you monitor, manage and adjust.

It’s important to start monitoring the metrics right away. You can’t jump on problems fast enough in a joint venture.

Not everything is going to run smoothly. But if you feel like you have a true partner that is firmly committed to bringing value to the partnership on all levels — that’s where relationships can become very special, long term and productive. ●