Better Together: How JVs and Partnerships Should Contribute to Business Goals (Part 1)

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Marc van Grondelle and Emma Blackley unpack why JVs, partnerships and other forms of business collaboration are becoming more important, yet are so often still overlooked.

When are Joint Ventures (JVs) or partnerships the best path forward? What are typical scenarios when JVs and partnerships should be considered?

Emma Blackley: One of the main reasons for embarking on a joint venture or partnership is simple: the price of acquisition. Currently, multiples for some acquisitions are going through the roof. But you still need your business to grow, you still need to have good news for your investors and shareholders, so many players without very deep pockets are left with no choice but to partner instead.

Marc van Grondelle: This is especially true in tech, where even some of the biggest multinationals can't afford the price of acquisition. This means that if you're an automotive company, for example, you may only have funding sufficient to place one acquisition bet. But what is the right investment to make when the industry is transforming? You could invest in cybersecurity, AI, battery tech, autonomous vehicles, etc. It makes sense to spread your risk by venturing into multiple partnerships, rather than risk your future on just one technology.

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Emma: Think about what has happened in the fintech world. Startups began taking away market share from big banks. Then big banks tried to build their own tech solutions. But ultimately, many players came to the conclusion that each side needs the other in order to win consumers. A new brand doesn't carry the trust, but equally an old brand doesn't have the digital know-how. Acquisition typically isn't an option because fintechs don't want to be bought. If you've set up your own company and done well, why would you sell out now to a fuddy-duddy old company? Much better to get a company to take a stake in you and infuse capital

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or form an alliance with someone with an established customer book. The same thing will likely happen in automotive and tech, as we see more and more crossovers between startups and trusted players.

Marc: Another scenario for JVs is expanding abroad. In the old days, if you wanted to do business in Asia or in the Middle East, you sent a fleet. Now, understandably, that model is out of fashion. Today China, the Middle East, and other Asian countries do not just grant American or European companies carte blanche access. Instead, they may require that foreign companies have a local partner. They may also impose additional conditions, such as training the local population and creating high-skilled jobs or using only local telecoms / data infrastructure.

Emma: There are also often significant advantages that stem from forming a joint venture or partnership in terms of access to markets, infrastructure, learning and understanding what local people want.

Marc: For family businesses looking for a planned exit, you can also sell a minority stake or form a joint venture as the first step in a two-step process, while preserving control and the optionality not to exit. And then, of course, there is using a joint venture as a tool for reconnaissance, getting a much better feeling for what you're ultimately buying by collaborating closely in partnership ahead of a full-on acquisition.

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So why is it that a JV or partnership is often considered as second-best only after a merger or acquisition has been ruled out? Does this mindset need to shift?

Marc: It's always good to look at the options first. Do I need to acquire? Can I? Would I be better off to use a joint venture? Should I?

Why is this generally not what happens? Because business schools traditionally teach M&A. And, until quite recently, that was fine. There was plenty to buy all over the world and you could deliver growth by writing an enormous acquisition check. But the world has changed. There are a lot of things that are not for sale. If you want that access, you need to master the new tool kit that is partnering. To continue to deliver growth, you must be able and know when to use both routes—M&A and JVs and partnerships. Successful companies are beginning to see that partnering can be at least a parallel route and, in some cases, a preferable one.

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Emma: I think it's cultural as well. In many cultures, those who've gotten to senior positions within corporations, and probably within private equity as well, have grown up in a very command and control business environment. So the idea that you might be able to achieve your ends through collaboration rather than through conquering feels, frankly, hard to believe.

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Most M&A people we meet tell us they dislike joint ventures because they find them slow, difficult and complex. JVs don't follow a standard process and they probably need to involve more people from within the business more directly. There's a lot of navigating and diplomacy involved.

How you change that is by teaching business leaders—as well as M&A teams—how to do JVs and how to do them well.

Will you tell us about a recent partnership you're proud of?

Marc: Ocado was a classic growth story of a company which had applied all of its proprietary technology in one field. They built a $12 billion company applying advanced robotics, AI and machine learning in online grocery retail. We recently helped them orchestrate a JV in another hot area: food security. Consumers around the world want the freshest foods, without pesticides, locally grown. Most groceries purchased in urban environments are produced hundreds of miles away: not fresh, not that tasty, and not environmentally sustainable.

By combining the plant science of US start-up 80 Acres, the greenhouse expertise of established Dutch firm, Priva, and Ocado's expertise in robotics, AI and machine learning, the JV is able to build and deploy an indoor farming platform to farms around the world. This will create environmentally controlled vertical farms in a range of urban settings, even on top of buildings, and all managed without people, which means no need for pesticides.

This 3-way partnership will work because we helped the partners ask and answer three key questions in the right order. What are we trying to do together? How do we do it? And only then: how much?

Marc leads Lincoln's global Joint Ventures & Partnering practice, advising major multinationals, midcap corporates, sovereign wealth funds and private equity clients on joint ventures (JVs), partnerships, strategic alliances and minority stakes. Marc is a globally trusted C-suite advisor and leader in all stages of the JV life cycle, from creation to operational implementation, as well as in re-setting and enhancing underperforming JVs and partnerships. With more than 25 years of experience and expertise creating sustainably successful JVs, he provides his clients with exclusive insight and perspective to structure deals for successful growth and to maximize value.

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Emma works hands-on with clients around the globe to negotiate and build strong, sustainable business partnerships and achieve the desired results from their JVs, partnerships, strategic alliances, consortia and minority stakes. She brings an in-depth perspective on JV and alliance issues, and guides her clients toward new and successful partnerships globally. Emma applies insights and experience to diagnose and remedy problems, both operational and people-related, in mature JVs and alliances. She also conducts swift, incisive pre-deal and pre-implementation "health checks" for M&A and management teams embarking on new JVs or partnerships.

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Interested in learning more? Get to know Lincoln's Joint Ventures & Partnering professionals at www.lincolninternational.com/services/jv-partnering.
