

Title:

5 Tips To Successful Joint Ventures

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Summary:

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Article Body:

When businesses think of team building, business owners usually associate it with building their company's internal workforce into a lean-mean fighting machine. Team building, however, should be extended to include external relationships such as those with other businesses. Enter joint ventures or JVs for short.

Joint ventures generally are business partnerships established between two or more parties (individuals, business groups, companies, corporations) for the purposes of expanding the business and achieving merits by joining forces and working as a team. The parties involved in joint venture agreements complement each other, leverage each other's assets, compensate each other's weaknesses, and at times equally share risks.

Less than 5% of businesses actually use joint ventures effectively and most don't even use it at all. In order to get the most out of joint ventures correctly, multiple factors such as choosing who to partner with, approaching potential partners correctly, negotiating a win-win deal for all parties involved, and having a well-coordinated execution need to be taken into consideration.

There are several types of joint ventures. Big companies may join forces to become even more powerful and thus dominate the market, while small companies may team up to build a stronger presence in their market niche in order to fend off bigger, resource-rich companies. JVs can also be used to gain access into

foreign markets. Foreign companies often form joint ventures with indigenous companies that are already present on the market, but lack capital or financing to truly take advantage of the market potential. Foreign companies can bring money, new technologies and competitive strategies into a joint venture deal, while benefiting from the relationships and the brand of the domestic company.

These complementary partnerships benefit all the businesses involved if set up correctly with the right partner. Here's a powerful but simple example of a JV that many businesses can take advantage of to grow their small business fast. It is a highly efficient method of increasing business profits by teaming up with another partner whose business is non-competitive and offers a highly valuable asset, a highly responsive client list that would be interested in your products or services. By tapping into this hidden goldmine, small businesses can save thousands of dollars in marketing expense to reach their target clientele while achieving the goal of boosting the bottom line. The business offering the vehicle in which to reach these clientele, the client list, benefits from offering complementary products and services that it does not sell and makes a cut of the sales generated from marketing to this list.

Here are 5 tips for joint venture success:

- Choose your partners carefully. A joint venture has greater chance of being successful if partners have an excellent reputation. An essential component to good team building is having the right partners. They must be trustworthy and have a high level of integrity.

Joint ventures involve extensive team building effort because it is a relationship between two parties and if the relationship is to last, it must be nurtured and kept going. Both parties must be able to trust each other and deliver on each other's promises. To find the right partner, perform solid market research and approach only businesses you would want to do business with long term. If you want to form a partnership with a certain company, make sure that its business practices are in-line with yours. It would be very difficult for you to form a reliable team with people who lack motivation or professionalism, so you should look for well-trained, open-minded potential partners.

- Know what to expect from the beginning of any JV relationship. Know from the start what your goals are, what you want to accomplish, and see if your goals are attuned with the partner. Each company should come up with a marketing plan and clearly specify what is expected from their potential partners.

Plan your strategy ahead of time and make sure you cover all the legal aspects

stipulated in your joint venture contract, like resource availability and management, special allocations, mutual gains, deductions and income issues. Stick to the business development plan and establish new priorities and goals as you progress. By efficiently managing resources and by maintaining a good, competitive business policy, you will secure the longevity and the success of your business.

- Draft proposals like mini-sales letters. Compose a professional proposal letter explaining the advantages of the joint venture in a convincing way. Keep it short, clear, concise and coherent while briefly introducing your business and why they should do business with you. Remember to tune in to the radio station your prospective JV partner listens to, WIIFM or What's In It For Me.

If you want to propose a joint venture to anyone you have to give them a really good reason why they should do it. Otherwise, they will most likely decline your proposal. Big, successful companies receive many joint venture offers so you have to stand out. You should educate them about the advantages and the benefits of choosing you over the others. If this partner happens to be a dream partner, stay persistent as persistence demonstrates sincerity and determination to make it work for the potential JV partner.

- Avoid shooting too high with your offers. If you are a smaller business, do not target your offer to a large company first as it will most likely be thrown away. Instead of aiming too high at this point, establish successful joint ventures with small companies in order to get noticed by the bigger, powerful ones. Establish a reputation as a solid business owner who knows how to turn joint ventures into gold for their partners. Businesses naturally gravitate towards successful businesses. Remember to toot your own horn by announcing JVs through press releases and/or articles in trade magazines. As your business expands, the competition will quickly become aware of your presence, and there is a chance that powerful companies might come up with proposals of joining forces with your company.

- Be honest and open with all business transactions always. Once you have negotiated the details of the joint venture, the actual work begins. In order to keep things going, a lot of trust, understanding and expertise are needed for ongoing team building on both sides. Maintain an open dialogue and always address issues upfront before it becomes a bigger problem that threatens to break up the partnership.

These are the basic rules for joint ventures and it is ultimately up to you to see whether a deal will be successful. Learn with each joint venture deal to improve on the next deal. Deals can only be made if you go after them. With

lots of hard work, you'll develop enough expertise to be a joint venture expert and take your business to the next level.