

Facilities Management from A to Z

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oint Ventures

The close relationships required to deliver a multiple discipline service have led many to create joint venture partnerships in which they pool resources and expertise to achieve a particular goal. The risks and rewards of the enterprise are also shared. The reasons behind forming a joint venture include business expansion, development of new products or moving into new markets.

Sometimes the joint venture is limited to a commitment to collaborate on one particular project. The two partners could agree a contract setting out the terms and conditions of how this would work. However the term joint venture is normally used to refer to a separate business. These are often established to handle one particular contract but often with the intention of extending the operation to other clients in the future. A joint venture company like this can be a very flexible option. The partners each own shares in the company and agree how it should be managed. In some circumstances, other options may work better than a limited company. The situation may be better suited to a business partnership or a limited liability partnership or even a complete merger.

Partnering with another business can be complex. It takes time and effort to build the right relationship. Problems are likely to arise if the objectives of the venture are not 100 per cent clear and communicated to everyone involved. The partners may have different objectives for the joint venture but these must be clearly identified and sit alongside a further set of joint objectives. All parties must bring an equal balance of expertise, investment or assets into the venture to avoid future relationship difficulties.

The successful operation of a joint venture business can be greatly enhanced if sufficient time and effort is expended in the creation of a formal agreement. This will also help to avoid many difficulties once the time comes to terminate the arrangement.

There are many good books on the risks, benefits and practice of Joint Ventures. Those interested might consider "Collaborative Advantage: How Organizations Win by Working Together: How Organisations Win by Working Together" by Elizabeth Lank published by Palgrave Macmillan ISBN 1403993459 or "Managing to Collaborate: The Theory and Practice of Collaborative Advantage" by Chris Huxham published by Routledge ISBN 0415339200