



What to Consider Before a Partnership

KPMG's **Marc van Grondelle** outlines the key questions leaders should ask themselves before joining forces with another company

Partnering with another organisation can help a business drastically improve its offering to customers, or break into a new market or region. While the benefits can be big, it's not easy to create a collaborative model that hits targets and stands the test of time.

Here, **Marc van Grondelle**, Partner and Head of the Global Joint Venture and Partnering Advisory Practice at KPMG, runs through five questions he believes leaders should ask themselves before conducting a Joint Venture (JV) or forming an alliance:

Why would we want to join forces with another organisation?

Firstly, think about what you would like to achieve by working with another company. Some classic partnership drivers include:

- The need for companies to share risks and expertise
- To incentivise your supply chain
- To understand the complexity of certain projects
- The requirement for outside expertise, especially when looking to expand into another region (such as China or India)

One mistake that leaders typically make is choosing the mechanism of a partnership, for example a JV, before the reason – this will lead to failure. You must pin down the motive before deciding how to achieve it.

Who will be in charge?

You need to decide who will do what on each side of the partnership. Governance must be clear and the decision-makers defined.

Another error I often see is that it's not clear who is in charge and as a result >



things just don't get done. A fear of causing offence to the partner results in a hesitation to address such issues and can cause tension.

We often advise companies to create a small cultural group that will look after the partnership and ensure it's working to momentum doesn't wane.

What would such a group need to focus on?

While a well-written legal document is essential, it doesn't provide the strategy or direction. You need to map out a clear journey with actions and outcomes from both sides.

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There are many partnerships formed across the railway in the UK; it's fragmented so we need to collaborate. Safety and making things better for customers are both big drivers for forming alliances.

It's important to ask yourself: 'Why do we want a partner?' Frankly, in a commercial sense it needs to be half the work and twice the profit. It needs to bring the possibility of gaining things that you wouldn't have access to, to do things twice as fast or make improvements.

The drivers need to be fundamental to both parties; objectives should be aligned but not shared.

To ensure a partnership is successful, behaviour is also crucial. Good behaviour can overcome bad objectives, but bad behaviour can ruin good objectives.



Patrick Butcher
Group Finance Director
Network Rail

What do you want to achieve by year one? How about year two? If you don't achieve those goals, what will happen? How do we both ensure we have a great first couple of years?

For example, what drives our sales, market share or premium position? What do we each need to do to make that happen?

Many partnerships look great on paper but they just plod along with not much happening. You need to ensure they are robust and meaningful for both businesses involved.

What if things don't go to plan?

Unfortunately, there's no way to guarantee what the marriage will be like after the wedding, and tensions can arise in the first year if it's not going as expected.

Often, a water tight legal document provides a false sense of security. There's no doubt you need that legal agreement, but you must have an intelligent conversation on how to make it work and how to factor in flexibility.

You must deal with lower, or higher, than expected performance and move forward. For example, small companies often find it hard to meet the timeline of a big company, so you need to find balance. In that instance, you must set realistic targets that won't stifle innovation. Try to improve the relationship without breaking the partnership.

How can we ensure teams work collaboratively?

If you don't get behaviours right on the ground you won't get the value, even if the contractual stuff is fool-proof.

Three things are needed for successful collaboration:

- A commercial and collaborative model that fits together – it needs to be driven around value
- Building relationships with the right people at multiple levels of the partner's business
- A great plan – really understanding what the roadmap looks like and who will do what

Before the partnership is struck, various assessments such as psychological testing, examining behaviour within the partner company and setting certain criteria can help ensure cultural fit.

During the partnership, incentives and celebrating success will be key to keeping it on the right track. ■

This article was inspired by the Criticleye event [Winning Through Collaboration in a New World of JVs and Alliances](#), hosted by KPMG.



Dr Marc van Grondelle
Partner & Head, Global
Joint Venture & Partnering
Advisory Practice, KPMG

At KPMG Marc has created services that enable the successful implementation, delivery, governance and performance enhancement of complex multinational joint ventures, partnerships and collaborations. He has assisted organisations in the energy, infrastructure, aerospace and defence, FMCG, insurance and banking sectors.

Contact Mark through:
www.criticleye.com