

## Do JVs work?

# WEEKLY LEARNINGS 2023

The graphic features the text 'WEEKLY LEARNINGS 2023' in white on a red background. The word 'WEEKLY' is in a bold, sans-serif font, 'LEARNINGS' is in a larger, bold, sans-serif font, and '2023' is in a large, elegant, cursive script. Above the text, there are several lightbulbs of varying sizes, some with lines radiating from them, suggesting ideas or innovation.

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Last week at the CES 2023 (Consumer Electronics Show), the Sony and Honda JV announced the launch of their EV car – AFEELA, to be introduced by 2026. The big announcements at this year's CES were about wireless TVs, smart rings for women, robotics, and drones. The AFEELA announcement got me thinking about JVs and the learnings from JVs. Here is my set:

1. Companies do JVs for different reasons - access to technology, access to market, access to capital, as a pre-emptive move vs competition, to get capabilities each doesn't have, or look at a risky future technology investment together.
2. 40 to 70% of all JVs fail. So, that means you have a 1 in 2 chance of success. If the probability is this bad, why do companies go for JVs?
3. The Auto industry loves JVs despite continuous disasters.
4. Mercedes and Swatch had a JV to launch a smart car. The JV ran into culture mismatch and Mercedes bought the Swatch shareholding in 1998. The car was not a success. This JV was about mixing industrial talent at Mercedes with the design talent at Swatch.
5. Fiat and Nanjing started a JV in 1996 and wound it up in 2007. Fiat wanted access to China government support and the China market while Nanjing wanted market presence in Europe and the USA. This JV was about geography expansion for both companies.
6. India has seen its share of Auto JVs, most of them to bring in technology. Ford Mahindra is stillborn, Yamaha and Escorts went the Yamaha way, LML Piaggio didn't go well, TVS Suzuki wound up after 17 years. In each case there was technology transfer for market access to India.
7. Sharing passive infrastructure is common in telecom. The tower company established in India between Vodafone, Airtel and Idea is a good JV idea. They focused on fighting at the consumer end rather than waster scarce resources at the back end. This is a good reason to JV – sharing pooled non consumer competing resources.

8. Vodafone and Telefonica did this in Europe in 2009. All banks share the ATMs they have invested in, an ATM is close to a dead asset in a fintech world.
9. The advertising world is full of dime a dozen acronym JVs where two founders have added their names to produce a new multi alphabet agency. In most cases, they failed.
10. Doing a JV to thwart competition has been tried in India. Kimberley Clark and SC Johnson tied up with HUL to be a balancing force vs P & G in the late 90s, I am unsure of their success, both Kimberley Clark and SCJ are still subscale vs P&G.
11. BMW and Toyota signed a JV in 2015 for a hydrogen fuel cell powered car. A Future technology approach forced LG and Philips to have a JV for picture tube production. Again, this wounds up. There is an old American quote which says two turkeys don't make an eagle! JVs could well keep that in mind.
12. Tiffany and Swatch had a JV to produce exclusive swatch watches to be sold only via Tiffany outlets. This JV ran into trouble and went to court. The court ordered Tiffany to pay Swatch \$448 million.
13. The Daimler Chrysler Mitsubishi JV in 200 is possible the best poor JV example. Japanese culture is about personal relationships while the German culture is about facts and pragmatism.
14. Uber and Volvo have started a 50-50 JV with \$ 350 million to produce driver-less cars. Let's see how far that ride goes. Mercedes and Geely have a JV for a smart car.
15. Alphabet and Glaxo have a Euro 540 million JV to produce bio electric medicine.
16. Daimler and Chrysler had a JV in 1990. The joke in Daimler was "How do you pronounce the JV?" Most Daimler people would say "Daimler with Chrysler as silent!! This is the culture story of most JVs.
17. JVs fail because of improper selection of partners, lack of inspiring leadership at the new JV, differences in culture between the two companies, differences in national cultures and values between the two entities and above all mistrust.
18. How can one make JVs work? Four simple rules - By building a core culture, by moving from blame to praise, by stopping talent haemorrhage and having clarity on resolving differences.
19. Most Indian family organizations are blood JVs between brothers, sisters, and relatives. In many cases, someone has walked out of the JV with his/her share over the last two decades.

JVs are doomed to fail from the word go, let's see of AFEELA is different since they are both Japanese companies!

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