

Reasons why Joint Ventures fail

By Werner van Rooyen, Director of HowToTender (Pty) Ltd which specializes in tender consulting and tender training.

There are many reasons why Joint Ventures fail and five of the most common reasons are:

1. Lack of a proper Joint Venture Agreement. The importance of a proper JV Agreement cannot be emphasized enough. Ensure that you have a proper contract in place that covers the entire foundation of your JV.
2. Lack of finance. If one of the parties to the Joint Venture is struggling financially it can be the downfall. The simple reason is that the struggling partner will drain the Joint Venture, not allowing the it to build up capital for challenging times or future expansions.
3. Control issues. In any relationship you will always find that someone needs to be the leader or the decision maker. A Joint Venture is the same – somebody needs to be in control. Ensure that the correct leadership is appointed.
4. Compatibility. Sometimes in the rush of securing a tender a business owner will go into a Joint Venture with another business owner who does not have the same values and ethics. This is a dangerous mistake. Remember that you have established a certain way of doing business and that you have invested a lot in building the ethics in your business. Ensure that the Joint Venture partner that you sign up with is compatible with your policies of running a business.
5. Unrealistic expectations. Ensure that all role players are on the same page when it comes to the Joint Venture's successes. There must be clear indicators on the chances of winning a tender as well as the expected profits to be made after the awarding of a tender and the completion of the tender. All the parties involved must be briefed on the expected profits so that there are no unrealistic expectations from any of the parties involved.

If you tend to these five critical areas in your Joint Venture the chance for it to succeed will increase immensely.

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Contact us at estelle@howtotender.co.za should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.