Success Story

Profile	CEO
Manager CEO Europe Id # :	11610

A joint venture offered the opportunity to increase the business volume and to strengthen the market position in an export market

Several years ago, a European manufacturer, integrator and installer of equipment and systems decided to expand into South East Asia. The European management appointed an agent to handle the business and expected to get soon additional sales and contributions.

Despite the support given and the frequent trips into the region, the success of the operation did not materialize as planned. The agent focused on the sale of components rather than systems. He considered the excellent European products as too expensive without sufficient margin and asked persistently for additional discounts.

In other words both parties were disappointed because of the unmatched expectations and the poor performance or financial rewards. The board of the supplier called for an analysis and radical change of the concept.

Some of the major findings in short:

- The marketing and sales activities were entirely driven by the good, strong, amicable and personal connections of the agent.
- The agent was unable to approach larger projects due to his, as well as his customers, financial constraints.
- The image of 'European high-tech' in the market was poor, mainly due to the haphazard installations by untrained and non-professional installers.
- The cost of the products (landed including duty) was exorbitantly high and in many cases not affordable for the local market.

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The solution

From an European perspective, to continue with increased support appeared not viable, nor did the termination of the existing agency agreement and replacement by another agent offer a true alternative. This especially after considering the fact that both parties contributed to the unsatisfactory result and both had ambitious and nearly identical targets for the future.
The most promising option for change, although at first glance not the most obvious, was the formation of a joint-venture company on the basis of the following targets:

- Grow the operation by expanding into the systems business, acquiring larger projects and starting activities in untapped market segments. (both)
- Get the haphazard installations right to avoid image potential damages and liabilities. (European)
- Get access to state of the art technology and training (Asian)
- Establish the brand long-term and gain the 'right' image (European)
- Avoid financing 'other peoples businesses' on a pure contractual basis and aim for fair and at arms length terms. (Asian)

However there had been some hurdles to be overcome.

- to explain to the management (both parties) the advantages of the concept, the governance and the potential pitfalls.
- to find an operational and financial sound ownership structure
- to smoothly implement the concept of the joint-venture with sufficient room and time to solve carefully upcoming operational issues.

The lessons learned

The overall result (after three years) is a success in terms of growth, image and contribution. We managed to create a clear win-win.

To negotiate, manage and implement the win-win joint venture requires from the project manager market knowledge and persistency. But most essential to the success was the deep understanding of the mentality and business culture of both parties.