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Defining the Strategy and Business Opportunity
Guide

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Water Street Partners
JOINT VENTURE ADVISORY GROUP

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DOCUMENT AT-A-GLANCE

Purpose and content

- Outline key elements of the strategy process that is behind a JV or partnership
- Provide guidance on how to select the appropriate partnership type and on how to build a JV business case
- Define the strategy work that must be completed before embarking upon an alliance transaction

Audience

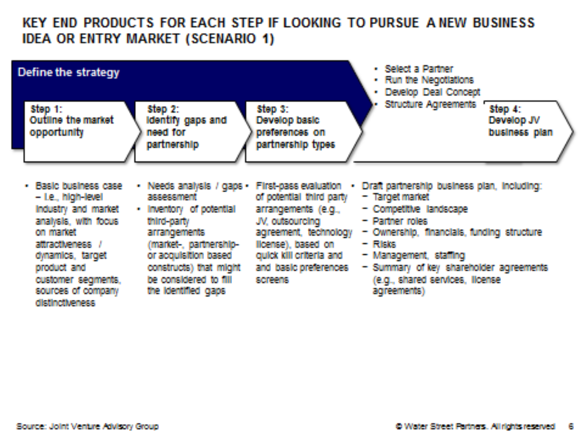
Who:

- Strategy or corporate development executives, who are considering forming a partnership
- JV deal makers

Context and Methodology

- All companies should have a good understanding of their strategy before they consider entering a partnership
- Companies should determine how to compete and identify the gaps that are preventing them from pursuing their business opportunities, find ways to fill these gaps and decide whether an alliance is the best way to fill these gaps
- This document is based on Water Street Partners' extensive experience working with joint ventures

Sample of analysis



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- To outline of key elements of the strategy process that is behind a JV or partnership
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Audience:

- Strategy or corporate development executives, who are considering forming a partnership
- JV deal makers

How to use:

- Consult this guide as the deal strategy is being defined to make sure that the appropriate issues are considered and addressed at the right time with the appropriate depth

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COMPANIES OFTEN FIND THEMSELVES IN DIFFERENT STARTING SCENARIOS THAT MIGHT LEAD TO A JOINT VENTURE OR PARTNERSHIP

Scenario 1:

Looking to pursue a new business idea or entry market

Example: The Company has identified a new geography (e.g., China, UAE) or customer market (e.g., healthcare informatics) that looks attractive, or has targeted a new service or technology that might enhance its existing offering

Scenario 2:

Looking to turnaround an underperforming business

Example: The Company has a sub-scale or underperforming business unit that is looking at ways to improve its cost structure, customer penetration or retention, risk exposures, shed certain assets, etc.

Scenario 3:

Approached by counterparty about an opportunity

Example: The Company has been approached by a potential partner with regard to a new business idea – or way to improve an existing business

Each scenario may lead to a joint venture

Nature of strategy / business opportunity definition follows similar thought process – although some specifics will vary

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DEFINING THE STRATEGY IS THE FIRST STEP IN THE DEAL MAKING PROCESS

But strategic thinking should run across the whole deal process

Define the Strategy → Select a Partner → Run the Negotiations → Develop Deal Concept → Structure Agreements → Plan and Run Implementation

Key outputs

- Industry and market analysis to identify high-potential opportunities
- Gap assessment of highest-potential strategic and business opportunities and view on how to address gaps (internally or externally)
- Decision on whether partnership is the best vehicle to pursue an opportunity (vs. going alone)
- Initial business case (summary of market need, size, business model, fit, funding requirements, etc.)
- Decision on most appropriate corporate structure for the deal (JV, M&A, other partnership)
- Business plan (defines venture strategy, financial modeling, synergies, tax and accounting, governance and organization)

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DEFINING THE STRATEGY AND OPPORTUNITY FOLLOWS A FOUR-STEP THOUGHT PROCESS – WITH DIFFERENT STAGE GATES ALONG THE WAY

Define the strategy

Step 1:
Outline the market opportunity

Step 2:
Identify gaps and need for partnership

Step 3:
Develop basic preferences on partnership types

- Select a Partner
- Run the Negotiations
- Develop Deal Concept
- Structure Agreements

Step 4:
Develop JV business plan

Key question:

Does an attractive opportunity exist?
Yes → **Do we need a partnership / third party arrangement to pursue?**
No → **Disengage**

Do we need a partnership / third party arrangement to pursue?
Yes → **Is a JV a likely option – or should be focus on other relationships and partnership structures?**
No → **Pursue organically**

Is a JV a likely option – or should be focus on other relationships and partnership structures?
Yes → **Given our added understanding of the market and business model, is this opportunity still attractive?**
No → **Pursue non-JV paths**

Given our added understanding of the market and business model, is this opportunity still attractive?
No → **Disengage**

Day 1

JV business plan typically completed with partner – and worked in parallel to negotiating and finalizing the legal agreements. However, given that it is the natural culmination of the strategy and business opportunity definition process, we have included it in this document.

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KEY END PRODUCTS FOR EACH STEP
Scenario 1: New business idea or entry market scenario

Define the strategy

Step 1: Outline the market opportunity

Step 2: Identify gaps and need for partnership

Step 3: Develop basic preferences on partnership types

- Select a Partner
- Run the Negotiations
- Develop Deal Concept
- Structure Agreements

Step 4: Develop JV business plan

Step 1:

- Basic business case – i.e., high-level industry and market analysis, with focus on market attractiveness / dynamics, target product and customer segments, sources of company distinctiveness

Step 2:

- Gaps / needs assessment
- Identification and selection of general types of vehicles (partnership and non-partnership) that are available for addressing gaps / needs
- Evaluation of potential vehicles against gaps / needs

Step 3:

- First-pass evaluation of potential third party arrangements (e.g., JV, outsourcing agreement, technology license) based on quick kill criteria and and basic preferences screens

Step 4:

- Draft partnership business plan, including:
  - Target market
  - Competitive landscape
  - Partner roles
  - Ownership, financials, funding structure
  - Risks
  - Management, staffing
  - Summary of key shareholder agreements (e.g., shared services, license agreements)

See Appendix for end products associated with Scenarios 2 and 3

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STEP 1: OUTLINE MARKET OPPORTUNITY AND ITS APPEAL
Analyze the industry and market and determine if the opportunity is attractive

Description of basic business case:
- Summary of potential opportunity
- Likely to include descriptions of the market, customer segment(s) and need, product or service to be provided, competitor analysis, initial financials
- Typically 3-15 pages, either PowerPoint or Word document plus exhibits

HIGH-LEVEL BUSINESS CASE
Sample Table of Contents:
1. **Product or service description**
   – Proposed business description
   – Product or service description
   – Value proposition and source of competitive advantage
   – Sources of business profitability
2. **Market opportunity**
   – Market trends and dynamics
   – Market size
   – Customer needs and trends
   – Target customers / markets
3. **Competitor analysis**
   – Competitor assessment (size and quantity of competitors)
   – Presence of dominant players
   – Strengths and weaknesses
   – Sources of sustained competitive advantage and potential competitive challenges
4. **Initial financials**
   – Potential revenue and cost structure
   – Sources of value
5. **Risks**
   – Major sources of risk
   – Opportunities to mitigate

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STEP 2: IDENTIFY GAPS AND NEED FOR PARTNERSHIP
Summary approach

	Core question	Suggested approach
Step 2A: Identify gaps / needs	• What gaps / needs must we address in order to successfully pursue this opportunity?	• Identify high-level types of gaps / needs applicable to your situation based on “gaps / needs framework” (*page 9*) • Within each applicable type, define specific gap relevant to your situation (*page 10*)
Step 2B: Determine ways to address gaps / needs	• What are the different ways in which we might consider filling these identified gaps / needs?	• Understand general types of vehicles (partnership and non-partnership) that might be available to address gaps / needs (*pages 11-13*) • Conduct “bottom-up” assessment of potential ways to fill each of your identified individual gap / need, linking gaps / needs to different vehicles (*page 14*) and /or • Conduct top-down assessment, evaluating to what extent larger deals (e.g., master service contract, local partner joint venture operating company) might fill multiple gaps / needs (*page 15*)

2A. GAPS / NEEDS ASSESSMENT FRAMEWORK

How to populate this worksheet:
- Select from the list all applicable rationale that might lead to a partnership
- Add to list other rationale that is not currently included

Partnership rationale issue tree

Rationale for potential partnership		Applicable?
Fill a capability gap	Technology	☐
	Market/channel	☐
	Competency or skill	☐
	Physical asset(s)	☐
	Relationship / brand	☐
	Product	☐
Satisfy a regulatory requirement	Country-specific requirements	☐
	Potential customer requirement for contract	☐
	Regulatory restrictions	☐
Reduce costs	Financial re-engineering	☐
	Capex avoidance	☐
	Capture cost synergies from consolidation	☐
	Get access to lower-cost capability (e.g., manufacturing)	☐
	Leverage partner assets rather than investing in own	☐
Reduce risks	Delayed response to strategic threats	☐
	Lower R&D / capex risks	☐
Commercialize new technology	Gain access to non-core markets outside of expertise	☐
	Get non-core applications developed, commercialized, etc.	☐

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2A. IDENTIFY SPECIFIC CAPABILITIES NEEDED TO PURSUE OPPORTUNITY

How to populate this worksheet:

- List all relevant rationale for potential partnership
- For each of the applicable reason create a list of specific gaps or capabilities that need to be fulfilled

Capabilities and gaps assessment worksheet

Rationale for potential partnership	Specific need or gap
Market/channel gaps	• No distribution network in Country X • …
Technology gaps	• Missing functionality Y • Missing technology Y • …
Regulatory restrictions	• Segment with no regulator relationship • …
…	• ____________________ • ____________________ • ____________________

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2B: DETERMINE WAYS TO FILL IDENTIFIED GAPS

Often there is a range of vehicles and structures available to fill gaps

Low — **Level of integration / common ownership / shared economics** — ***High***

Example structure

Internal Build

- Hire experts
- Buy technology

Market Arrangement

- Standard fee-for-service agreement (e.g., with advertising agency, lobbying firm, technology developer)
- Outsourcing agreement (e.g., IT, payroll, service center operations)
- Standard supply / purchasing contract
- Staff augmentation contract
- Distributorship / agency arrangement
- Manufacturing / tolling / processing agreement
- Licensing agreement – e.g., technology, brand
- Asset sale / lease back
- Bank financing
- …

Alliance

- Joint R&D agreement (exclusive or non-exclusive)
- Joint sales and marketing agreement
- Co-branding agreement
- Broad-based mgmt. services contract (i.e., long-term agreement with performance-based upside / penalties)
- Enhanced supplier alliance
- Membership in existing consortia (e.g., purchasing, marketing), referral network
- Umbrella partnership agreement (i.e., agreement to identify / pursue range of opportunities within given market scope)
- …

Joint Venture

- Many different variants based on ownership split, value chain scope, operating model, etc.:
  - Scope: Broad-based JV OPCO vs. Special purpose JV limited to sales or manufacturing
  - Ownership: 50-50 JV vs. Majority-Minority
  - Type of partner: local vs. Legal form: LLC vs. Corporation
  - Operating Model: Operated by one partner vs. jointly-operated vs. independent JV Co
  - …

Acquisition

- Full company acquisition
- Business unit acquisition
- Asset, product, technology, acquisition
- Joint acquisition – i.e., buy company or asset with another player
- Majority equity investment, with control / or or operating alliance
- Third party investor
- Acquisition (i.e., poaching) of key staff who possess needed capabilities (e.g., technology, market expertise, relationships)
- …

Depending on situation, one or multiple vehicles may be required to fill individual or different gaps

For more information on partnership types see: "When to Think Alliance," McKinsey Quarterly, 2000; "Not by M&A Alone," McKinsey Quarterly, 2004

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SOME BASIC GUIDANCE ON WHY AND WHEN TO FAVOR EACH TYPE

Low **Level of integration / common ownership / shared economics** *High*

	Internal Build	Market Arrangement	Alliance	Joint Venture	Acquisition
Why / when to favor	+ Access to resources, skills, and capabilities needed to build capability + High likelihood of internal success + Short time horizon + Builds on existing IP	+ Fast to negotiate + Straightforward economics (usually) + Easy to unwind / terminate (depending on contractual terms) + Simple governance (i.e., limited joint decision making)	+ Need for close coordination of activities between market peers + Fast to negotiate and unwind (compared to JV or acquisition) + Activities / assets / people non-severable from core business + Short- to medium-term opportunity	+ Benefits of joint ownership – i.e., ability to integrate certain activities or assets (that wouldn't be achievable via market contract or simple alliance) + Need to create aligned incentives across activities / value chain + Medium- to long-term business opportunity + Partner is similar size and/or from different country (challenging acquisitions) + Need to share risk	+ Need for full and exclusive control of IP, assets, business + Long-term opportunity + Significant cost synergies available (usually much easier to achieve than via JV) + Counterparty is a much smaller company (challenging JV partner)
Why / when not to favor	- High degree of development uncertainty - Talent-constrained	- No "market" of service providers to perform needed task or provide missing inputs - Regulations require local partner as equity owner - New and complex business where need to create shared risk, innovative incentives	- Need to control asset or activity – i.e., critical differentiator in the market	- Time consuming to complete (9-18 months typical) and to unwind - Complex governance	- Unwilling / unable to pay control premium - Unwilling to accept negative impact on acquirer's near-term share price

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SOME ADDITIONAL QUESTIONS TO HELP DETERMINE HOW TO FILL AN IDENTIFIED GAP

Some thought-starter questions

	Yes?
• Are there regulatory requirements that would rule out – or require – certain partnership vehicles?	☐
• What structures have my peers used when pursing a opportunities in this (or similar) markets?	☐
• Are there significant tax and accounting considerations that would favor one vehicle over another?	☐
• Are there willing and capable third-parties to enter into such an arrangement – e.g., service contract, alliance, joint venture, sale?	☐

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MAP OUT DIFFERENT WAYS TO ADDRESS IDENTIFIED GAPS

Bottom-up approach: List all ways that could address specific gaps

Ways to address

Gap / need	Internal Build	Market Arrangement	Alliance	Joint Venture	Acquisition
• **No distribution network in Country X**	• Build own distribution network, incl. warehouses and terminals	• Sign distributorship / agency agreement with specialty firm	• Form distribution alliance with peer / competitor to cross-distribute	• Establish distribution JV with shared capex/assets/third-party customers	• Acquire local distribution co.
• **Missing technology X**	• Hire additional engineers, invest capital and time to develop own technology	• Retain engineering consultancy / research institute to develop technology on contract	• License (related) technology / platform from existing player	• Establish JV with technology developer, and jointly develop next gen tech	• Acquire tech developer • Take majority interest in tech developer
• **No relationship with regulators**	• Hire local talent with past connections to gov't	• Retain local lobbying / policy advisory firm	• …	• Establish broader JV with local firm which has strong gov't relationship	• ….
• ______________	• [Basic description]	• [Basic description]	• [Basic description]	• …	

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2B. MAP OUT DIFFERENT WAYS TO ADDRESS IDENTIFIED GAPS

Top-down approach: Select vehicle first, and test against gaps

How to populate this worksheet:
Identify higher level vehicle – e.g., local partner JV, manufacturing services contract – and list which gaps are covered / not by vehicle

VEHICLE 3: BROAD-BASED TECHNOLOGY, MANUFACTURING, AND DISTRIBUTION ALLIANCE

VEHICLE 2: M&A

VEHICLE 1: NEW BUSINESS JOINT VENTURE WITH LOCAL PARTNER

Gaps / needs	Covered by vehicle	How to fill remaining gaps
Market/channel gaps		
• No distribution network in Country X	✓	
Technology gaps		
• Missing functionality Y	✓	
• Missing technology Y	✗	• Acquire technology • Technology licensing
Regulatory restrictions		
• No relationship with regulators	✓	
Product gaps		
• ______		

Note:
Include detailed list of gaps based on your situation

Note:
Define if the selected arrangement addresses each gap

Note:
If a gap is not addressed by the arrangement list options for filling gap

STEP 3: SCREEN PARTNERSHIP TYPES BASED ON “QUICK KILL CRITERIA” AND “KEY DRIVERS OF ATTRACTIVENESS”

Screening process – Narrowing an initial list of potential deal types down to the final deal selection

List of all potential deal types
- __________
- __________
- __________
- __________
- __________
- __________

Screen 1: Quick kill criteria
- Regulations
- Feasibility
- Tax issues
- …

List of all feasible deal types
- __________
- __________
- __________
- __________
- __________

Screen 2: Key drivers of attractiveness
- Value
- Strategy
- Control
- …

End-product – Choice of the most appealing deal type for the company

IDENTIFY QUICK-KILL CRITERIA

Quick kill criteria

- Target country regulations do not allow (e.g., maximum ownership level prevents local acquisition)
- Structurally infeasible due to cost of transaction (e.g., full acquisition of large global company)
- Transaction type would clearly cause significant tax or accounting costs that exceed value creation of the deal
- Clearly violates company guidelines or business principles for given situation (e.g., company policy restricts doing a JV in a particular country due to corruption)
- Clearly / inarguably would not fill strategic gaps
- Others: ______________________________

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ASSESS POTENTIAL PARTNERSHIP TYPES FOR "QUICK KILLS"

Quick-kill assessment

Note:
Need to list the transaction types for your opportunity

For opportunity, does "quick kill" apply to transaction type?

"Quick kills"	Local co. acquisition	Broad-based alliance	Technology licensing	Local contract production	Distribution arrangement	Consortia membership
• Target country regulations do not allow (e.g., maximum ownership level prevents local acquisition)	✗					
• Structurally infeasible due to cost of transaction (e.g., full acquisition of large global company)	✗					
• Transaction type would clearly cause significant tax or accounting costs that exceed value creation of the deal	✗					
• Clearly violates company guidelines or business principles for given situation (e.g., company policy restricts doing a JV in a particular country due to corruption)						✗
• Clearly / inarguably would not fill strategic gaps						
• Others					✗	✗
Excluded transaction types:	✗				✗	✗

Note:
May need to add additional "quick kills" based on your situation

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DEVELOP BASIC PREFERENCES SCREEN

Categories for evaluation

- **Value** (e.g., potential to realize cost synergies, to access target markets or customers, optimize tax considerations)
- **Fit with strategy** (e.g., consistency with corporate themes, timing of investment, timing of returns)
- **Control** (e.g., influence / control over direction and decisions, specific functions, core IP, physical assets, customer relationships)
- **Manageability** (e.g., simplicity of governance and management, stability in partnership model given partner objectives and evolution)
- **Risk preferences** (e.g., willingness to assume more risk, potential liabilities, pay control premium)
- **Strategic considerations** (e.g., desire to learn, build key market relationships, block competitors)
- **Market constraints** e.g. financial, tax and accounting, regulatory, competitive

Note:
May decide on using different or additional categories

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SCREEN YOUR REMAINING TRANSACTION TYPES AGAINST YOUR BASIC PREFERENCES

Basic preferences screen

Categories for evaluation

- **Value** (e.g., potential to realize cost synergies, to access target markets or customers, optimize tax considerations)
- **Fit with strategy** (e.g., consistency with corporate themes, timing of investment, timing of returns)
- **Control** (e.g., influence / control over direction and decisions, specific functions, core IP, physical assets, customer relationships)
- **Manageability** (e.g., simplicity of governance and management, stability in partnership model given partner objectives and evolution)
- **Risk preferences** (e.g., willingness to assume more risk, potential liabilities, pay control premium)
- **Strategic considerations** (e.g., desire to learn, build key market relationships, block competitors)
- **Market constraints** e.g. financial, tax and accounting, regulatory, competitive)

Note:
May decide on using different or additional categories

For opportunity, how would we rate transaction type?

Local co. acquisition	Broad-based alliance	Technology licensing	Local contract production	Distribution arrangement	Consortia membership
Excluded by quick kills	◕	◔	◑	Excluded by quick kills	Excluded by quick kills
	◑	◕	◕		
	●	◕	◑		
	◔	◑	◕		
	◕	◑	◑		
	◕	◔	◑		
	●	◑	◕		
Overall appeal:	◕	◑	◑		

STEP 4: DEVELOP DETAILED BUSINESS PLAN FOR THE PARTNERSHIP

More detailed business plan than the one done before deciding to enter a partnership

Description of detailed business plan:

- Summary of the potential opportunity
- Likely to include the contents of the high-level business plan as well as scope, ownership scenarios, organization and governance model, relationship to parent companies and a summary of key service agreements
- Typically 20-30 pages in length (either PowerPoint or Word document plus exhibits and appendixes)

DETAILED BUSINESS PLAN
Sample Table of Contents:

1. **Executive summary**
2. **Market opportunity**
   - Market trends and dynamics
   - Market size
   - Customer needs and trends
   - Target customers / markets
3. **Competitor analysis**
   - Competitor assessment (size and quantity of competitors)
   - Presence of dominant players
   - Strengths and weaknesses
   - Sources of sustained competitive advantage and potential competitive challenges
4. **Business concept and strategy**
   - Proposed business
   - Product or service to be sold
   - Scope and geographies relative to parent companies
   - Value proposition and source of competitive advantage
   - Entry strategy
   - Sources of distinction
5. **Initial financials and funding**
   - Potential revenue and cost structure
   - Financial estimates
   - Investment requirements
   - Sources of value (incl. types of synergies if relevant)
   - Economic model
6. **Relationship to parent companies**
   - Parent company strategic objectives
   - Relationship to parent company business
   - Roles
   - Contributions
   - Funding
7. **Organization structure**
   - Senior management
   - Staffing strategy
   - Business processes
8. **Governance model**
   - Structure
   - Composition
   - Role
9. **Risks and approaches to mitigate**
   - Major sources of risk
   - Opportunities to mitigate
10. **Summary of key service agreements**
    - Basic description
    - Pricing
    - Key commitments

JV unique features in business plan

Note:
All business plans will have an Organization structure section, but the content in JV business plans is very different

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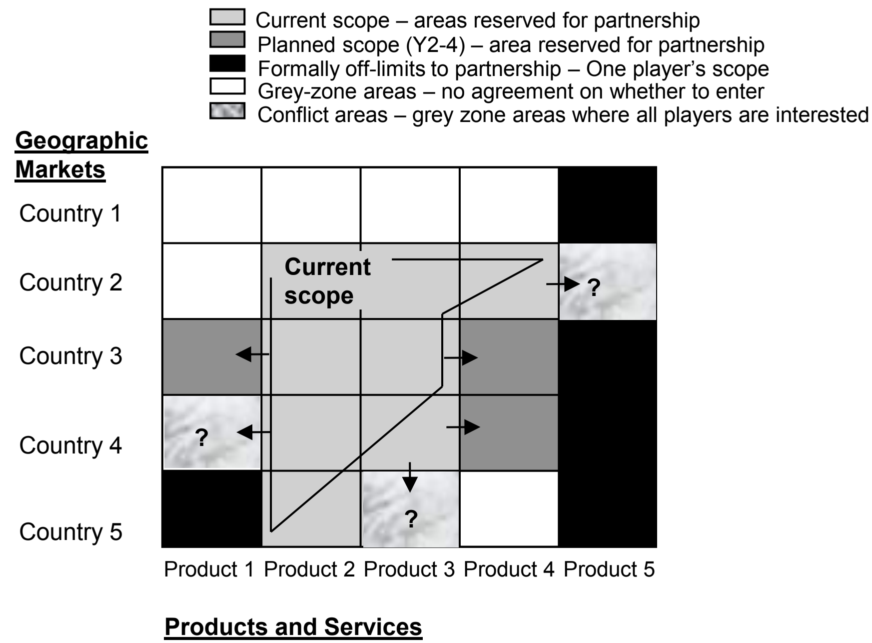
JV BUSINESS PLAN – SAMPLE EXHIBITS (PAGE 1 OF 3)

SANITIZED EXAMPLE

Context and description

- Some JVs operate in adjacent or partially overlapping products, geographies, or markets relative to their parent companies making it challenging for the JV to define a compelling strategy
- This exhibit:
  - Maps the JV scope relative to parent markets across potential scope categories (e.g. geographic markets, products and services, customer segments)
  - Ideally includes the initial JV scope, areas of planned evolution and “off-limits” or conflict areas

Exhibit: JV scope (relative to shareholders)



Source: Water Street Partners case library

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JV BUSINESS PLAN – SAMPLE EXHIBITS (PAGE 2 OF 3)

SANITIZED EXAMPLES

Context and description

- Company contributions (e.g., existing businesses, capital physical assets, IP, brands, services) need to be specified as they will have an impact on the JV valuation and ownership
- These exhibits:
  - List initial contributions provided by each partner
  - List the division of responsibilities between the parents and JV across the JV lifecycle value stream

Exhibit: Key contributions from shareholders

	Provided by company A	Provided by company B
Ongoing businesses	• Existing businesses	
Capital	• Start-up investment of $xxM • Recurring capex	• Start-up investment of $xxM
Physical assets	• Development center	• Equipment
IP / intangible assets	• Know-how • Brands	• Local relationships

Exhibit: JV business system and use of shareholder services

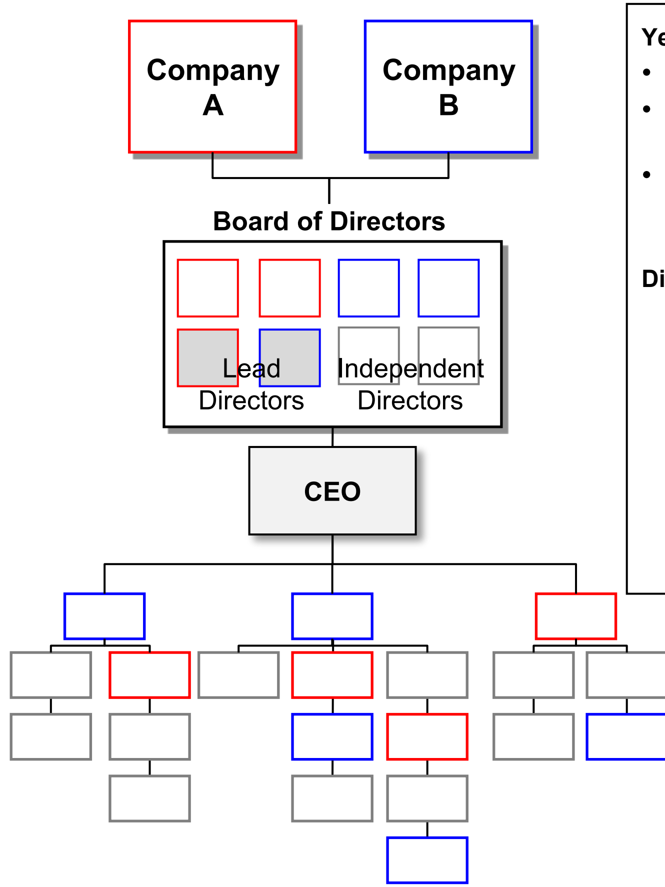
	R&D	Supply chain	Manufacturing	Warehousing & Dist.	Mktg & Sales	Service
Done by company A	•Basic product research	•Logistics •Supplier selection	• ____	• ____	•Order management	•IT system management •Treasury
Done by the JV	•Product design	•Contract management	• ____	• ____		
Done by company B	•Prototype testing	• ____	• ____	• ____	•Mkt. research •Customer support	•Payroll •Admin •Training

Source: Water Street Partners case library

Context and description

- Board members are almost always employees of one shareowner, and have dual role of representing parent co and JV interests
- JVs are usually staffed by outside hires, by individuals who have severed their employment relationship with one of the parent companies, and by also by some seconded employees from a parent
- This exhibit:
  - Maps the organization structure
  - Defines the staffing model

Governance and JV organization structure



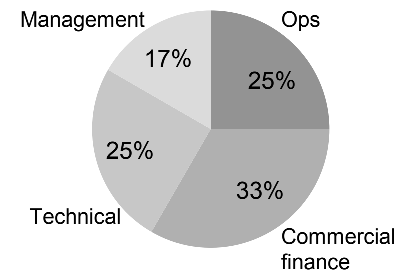
Seconded from Company A
Seconded from Company B

Number and break-down of positions

Year 1

- Number of total positions — 24
- Expected number from Company A secondees — 4
- Expected number from Company B secondees — 5

Distribution based on function



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TIMING OF JV BUSINESS PLAN WILL VARY BASED ON SITUATION

When to develop the JV Business Plan?

Prior to screening partners

- Very high level business plan (Business case or deal concept) since potential partner perspective will not be included
- **When to favor:**
  - Company will be the core partner in multi-partner JV
  - Company believes that partners are interchangeable and partner selection will not influence the business plan

During negotiations (in parallel to term sheet / MOU negotiations)

- Business plan draft that is constantly iterated and includes the partners perspective and potential terms that are being negotiated
- **When to favor**:
  - Serious negotiations are moving forward

Most common situation

After definitive terms have been agreed to (drafting final agreement)

- Very detailed Business Plan where the content has been influenced by the ownership structure, roles and interactions with the partners
- **When to favor:**
  - Uncertainty on whether deal will happen or not

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APPENDIX

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KEY END PRODUCTS FOR EACH STEP
Scenario 2: Underperforming business turnaround scenario

Define the strategy

Step 1: Outline the market opportunity and compare to base case scenario

Step 2: Identify underperformance causes, gaps and need for partnership

Step 3: Develop basic preferences on partnership types

- Select a Partner
- Run the Negotiations
- Develop Deal Concept
- Structure Agreements
- Plan and Run Implementation

Step 4: Develop JV business plan

Step 1
- Basic business case – i.e., high-level industry and market analysis, with focus on market attractiveness / dynamics, target product and customer segments, sources of company distinctiveness
- Comparison of the outlook of pursuing the opportunity against the base case

Step 2
- Barriers and causes of underperformance assessment
- Needs analysis / gaps assessment
- Inventory of potential third-party arrangements (market-, partnership- or acquisition based constructs) that might be considered to fill the identified barriers, causes and gaps

Step 3
- First-pass evaluation of potential third party arrangements (e.g., JV, outsourcing agreement, technology license), based on quick kill criteria and and basic preferences screens

Step 4
- Draft partnership business plan, including:
  - Target market
  - Competitive landscape
  - Partner roles
  - Ownership, financials, funding structure
  - Risks
  - Management, staffing
  - Summary of key shareholder agreements (e.g., shared services, license agreements)

KEY END PRODUCTS FOR EACH STEP
Scenario 3: Approached by counterparty scenario

Define the strategy

Step 1:
Review suggested opportunity business case and test for alignment

Step 2:
Identify gaps and need for partnership

Step 3:
Develop basic preferences on partnership types

- Select a Partner
- Run the Negotiations
- Develop Deal Concept
- Structure Agreements
- Plan and Run Implementation

Step 4:
Develop JV business plan

Step 1:

- Basic business case review – i.e., high-level industry and market analysis, with focus on market attractiveness / dynamics, target product and customer segments, sources of company distinctiveness
- Comparison of suggested opportunity with current company strategy
- Strategy alignment test

Step 2:

- Needs analysis / gaps assessment
- Organic vs. partnership assessment
- Inventory of potential third-party arrangements that were not suggested by potential partner (market-, partnership- or acquisition based constructs) that might be considered to fill the identified gaps

Step 3:

- Evaluation of suggested third party arrangements (e.g., JV, outsourcing agreement, technology license), vs. own longer list of potential arrangements

Step 4:

- Draft partnership business plan, including:
  - Target market
  - Competitive landscape
  - Partner roles
  - Ownership, financials, funding structure
  - Risks
  - Management, staffing
  - Summary of key shareholder agreements (e.g., shared services, license agreements)

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ADDITIONAL INFORMATION

Additional resources

- Pro Forma Template for Drafting a JV Business Plan (Practitioner Guide)
- Determining the Shape of a JV Deal (Checklist)
- Shaping Strategy in JVs (Tools)
- JV Board Governance Practices (Detailed Findings and Guidance)
- JV Secondees Guidelines and Best Practices (Practitioner Guide)
- Developing a Secondee Strategy For A Natural Resources JV (Case Study)
- Managing Shared Services in JVs (Executive Summary)

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About us

Water Street Partners

Water Street Partners is an advisory firm that supports clients on joint ventures, alliances and partnerships. Our work focuses on negotiating and structuring transactions, managing the integration process, and supporting JV Boards and CEOs restructure and evolve these businesses.

Water Street Partners has a team with direct personal experience working on more than 400 joint venture and other alliance transactions and restructurings over the past 20 years.

The Joint Venture Advisory Group

The Joint Venture Advisory Group (JVAG) is an annual subscription service for JV CEOs, JV Board Directors, and other executives with an active role in structuring, governing, or managing joint ventures.

Subscribers benefit from a variety of resources including best practices, benchmarking data, a peer network and events, tools and templates, and on-call support from our team.

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