

Joint Ventures

Description

In this context joint ventures are local business enterprises (in any field) that the CEDO enters into with one or more private sector corporations or entrepreneurs. (Or the CEDO may join in a business like that described in [Co-operative Employment Partnership Program](#), as an equity investing partner.) The structure of the deal may vary in any number of ways (e.g., the business itself may be a partnership or a corporation; the revenue streams may come from more than one type of operations, etc.). However, the usual case is that the venture is organized to be managed by the private sector participant, for whom the particular business field is usually familiar, while it is typically a new field for the CEDO. That can be a critical feature, and it should be understood at the outset of working on the venture.

The fundamental rationale for a joint venture is that each party brings to it something that the other party needs for a successful business. Ordinarily that something is not just an infusion of dollars, which would be merely an investment; rather it is some other advantage, such as access to natural resources or political influence or a special market or crucial experience in the field.

In the instance of the CEDO's entry into a joint venture, the CEDO ordinarily brings to its private sector partner special access to the community's resources (including community access to certain government capital) and a certain credibility as an actor in the community, without either of which the business probably could not get started. For the CEDO the partner reciprocates these advantages by bringing a high degree of expertise as well as access to private or other capital to finance the business. Sometimes the CEDO will bring its own share of capital to the deal, although typically CEDOs are capital-starved. Occasionally a CEDO may bring along to the venture access to a labour force or to ways of relating to the labour force that the partner has no skill in. For example, a CEDO may be able to screen local job applicants better than the partner.

For both partners, there is a sharing of the risk of the venture, and so for both partners a real investment in its success; but success can mean different things besides simple continuity of the business, depending upon how the deal is designed. In a joint venture, the deal is critical.

Benefits

Quite apart from participating in an income stream from the business, the CEDO can realize a number of significant community benefits: job openings in operations and management;

access to new skills; prestige as a business partner in a major venture; and, depending upon the business, a market for local products/services or other inter-locking economic exchanges.

Major challenges

In any joint venture the big problem is finding, choosing, and qualifying the partner. While that is as true for the private sector partner as for the CEDO, the CEDO probably has less experience in the matter. That means it is a harder job and ordinarily will require some experienced consultative assistance.

A second major task is negotiating the deal, for which again advice will almost always be necessary. Thirdly, there is the job of monitoring the performance of the business and the deal itself. Because a joint venture is more complicated than a wholly owned business, more effort is required. And finally, there is the human or psychological commitment and trust that is required. If you are worried that you can't quite trust your partners, then you should never go into business with them; on the other hand, if you have decided to be partners, then the project deserves a relationship of mutual respect and trust. At the same time, that trust does not take away from your responsibility to check everything, absolutely everything, before the deal is signed and to expect and demand the kind of on-going reports that the deal will require.

These four challenges may seem severe enough for many community groups to give up on using the technique of joint ventures. But the joint venture is an incredibly valuable way to increase the reach of a CED strategy.

Some practical steps

1. You need to take a look at the business simply as a business. What are the prospects of the business to make money, to stay in business? Are all the elements of feasibility present?
2. Would you go into this business if you could do it alone? In other words, you will need to determine whether the business itself fits the over-all CED strategy. No matter what a good deal it might be, if you lose the sense of priorities that guides your strategy, you could be in trouble. Yet it just may be the opportunity of a lifetime! The analysis here could be tough.
3. Begin the process of checking out your partner. It is not something that is done once and for all; it may require repeated inquiries into all sorts of things, from financial record to references to inspections of equipment, all the way until the actual signing of the final deal document.
4. Budget what the whole research and negotiating costs are going to be.

Tools & Techniques

5. Seek absolutely competent legal and negotiating help. Check them out thoroughly.
6. From here on things get technical, but you'll need a community back-up team to work with your negotiators and lawyers.

Resource organizations & contacts

- The Centre for Community Enterprise (tel. 250-723-1139) has had significant successful experience in developing joint ventures where the CEDOs were First Nation groups.
- There are probably no other Canadian resource groups that have a background in CED joint ventures. However, appropriate private sector lawyers and negotiators experienced in the joint venture field can be sought out, through your local bank or CEDO legal counsel.

Publications

- Mike Lewis and William J. Hatton, *Aboriginal Joint Ventures: Negotiating Successful Partnerships* (CCE Bookshop, toll-free 888-255-6779). Although the focus is on First Nations, this offers the best source of information, adaptable to other settings.
- ***Case Study:** "Anatomy of a Joint Venture." A detailed explanation of how a Yukon First Nation used the process outlined in the book *Aboriginal Joint Ventures* to negotiate a joint venture with a junior gold mining company.
- ***Case Study:** "From Theory to Practice." In a complex joint venture with a multi-national corporation, five First Nations on Vancouver Island have launched a development corporation to act as both a developer and a steward of Clayoquot Sound.