



HR Challenges in a JV Environment

An experiential review



Marjo Louw



SARA EMG 2007



Overview of Presentation

SASOL
reaching new frontiers



- *A Definition of a JV and environment*
- *HR Challenges in a JV focussing on*
 - *Due Diligence*
 - *Culture*
 - *Leadership*
 - *Communication*
 - *Loyalty*
 - *People and careers*
 - *Remuneration*
- *Experiences*
- *International Best Practice*
- *Recognition*

What is a JV?

SASOL
reaching new frontiers



- *A Partnership between two or more companies with the purpose to achieve a common goal and exploit synergies*
- *JV's could be varied, starting from basic operations through complex totally integrated businesses*
- *Issues of power is not obvious and shows up around in items like gain-share arrangements, perceived best-practice processes*
- *Processes are typically not aligned*
- *Getting things done is often driven by personal influence*



The new business environment

SASOL
reaching new frontiers



- *Your partner in the JV is often also*
 - *Your Competitor*
 - *Your Customer*
 - *Your Supplier*
 - *Fighting you in a legal case on IP/Fair Trade or...*
- *Needing different levels of maturity, understanding and cultural sensitivity (Leaders with special skills and attitude)*



Its all about people!

JV a Marriage?

SASOL
reaching new frontiers



- *Research shows that approximately 60-80% of Mergers and Acquisitions (M&A) are financial failures and the envisaged synergies are very rarely ever achieved*
- *Reportedly, 37-70% of Joint Ventures suffer performance problems leading to costly failures. Joint ventures experience many of the same challenges as M&A's although more subtly and potentially more complex*
- *Failure is mostly caused by*
 - *Poor or unclear leadership*
 - *Cultural differences*
 - *Poor integration process*
- *Joint Venture partnerships often begin with excitement. In many ways they are like marriages. In the beginning there is much celebration and hope for a bright future, but as M. Scott Peck might say.....*

'once the honeymoon period is over the real work begins'

Successful Joint Ventures establish early alignment and remain aligned

SASOL
reaching new frontiers



Partnership is not friendship BUT...

- *Understand the drivers of the company/ies which you are joining in the JV as well as your own drivers*
- *Understand the reasons for the partnership and develop the relationship with these in mind*
- *Maintain focus on the strategic prize – avoid tactical point scoring*
- *Emotions are contagious – bad behaviour will provoke bad behaviour – compete with your competitors not your partners*

“YOU CANNOT SPEND TOO MUCH TIME UNDERSTANDING YOUR PARTNER’S COMMERCIAL DRIVERS, BUSINESS SYSTEMS AND MANAGEMENT PHILOSOPHY & STYLE”



HR Challenges in a JV

The Beginning – and due diligence

SASOL
reaching new frontiers



- *Involving HR at the beginning of Due Diligence makes a big difference*
- *Investigate the differences, similarities and potential pitfalls*
- *Investigate cultural differences*
- *Investigate leadership styles*
- *Involve HR in setting the scene during JVA negotiations and include*
 - *Key positions*
 - *Key principles wrt to HR policy*
- *Early alignment requires sufficient pre-work, preparation and transparency wrt policies, work practices, programs, processes, etc.*
- *Clear potential misunderstandings early in the process*

Combining cultures

SASOL
reaching new frontiers



- *Corporate cultures are different e.g. entrepreneurial partnering with corporate*
- *Country cultures influence ethics, setup and internal sub cultures*
- *Underestimating influence of cultures leads to chaos*
- *Beware of hidden agendas*
- *Conflict in power is a pitfall*
- *Culture developed to support the Business Plan*
- *Organisation development plan must be in place to accommodate differences*

*AMERICANS (EUROPEANS) AND JAPANESE (CHINESE)
ARE 95% THE SAME AND DIFFERENT IN ALL IMPORTANT
ASPECTS*

--- Fujisawa

Cultural differences

SASOL
reaching new frontiers



(Or, one man's joke is another man's lawsuit)



Which Leadership style

SASOL
reaching new frontiers



- *Which partner's style takes preference/ dominance*
- *Strong, clear and decisive leadership works best*
- *Division amongst leaders seconded from different partners cause havoc*
- *Inward focus of leaders causes failure on customer focus*
- *Governance around people and process must be determined early*
- *Managing a JV takes more time – do not assume there is alignment – ensure*
- *Selection process must be seen as fair and credible*
- *Shareholders need to feel “represented”*
- *Challenge facing JV leaders is taking off “shareholder hats”*
- *Governance structure – what level of autonomy in JV*
- *Leadership by influence (Sapiential Power)*
- *Create org. structure, governance, and processes that are aligned with purpose, strategy, resources, and capability*
- *HR should Lead organizational learning and change*

Leadership

SASOL
reaching new frontiers



(..from the front is good, but keep your feet on the ground..)



Communication – a challenge

SASOL
reaching new frontiers



- *Clear communication around the purpose and the values of the JV is essential*
- *Feedback mechanisms must be established*
- *Avoid damage to any of the partners or shareholders reputation or image*
- *Good communications are the key to managing a partnership – the key communication challenge is to build confidence and trust between partners*
- *Operate a policy of ‘no surprises’ – your parents are your ‘bank’/shareholders – treat them as such. Earn your independence by generating trust*
- *Communicate formally with the parents – avoid informal backchats, reports, sidebars and other rumour mills – maximum disclosure/minimum delay (no surprises)*
- *Clear and honest discussion saves time, money and management effort and reduces ambiguity. Get the problems out early, don’t try to bury them*
- *Always consider how words and actions could be misinterpreted*

“two great companies divided by a common language”

Communication

SASOL
reaching new frontiers



Where is the loyalty

SASOL
reaching new frontiers



- *Teach JV staff committed to the JV, what their fiduciaries are – represent JV not individual shareholders*
- *Align teams in advance*
- *Bring local hires into the JV Management early in the process, maximum “own team” works best*
- *Secondments, although unavoidable are tricky wrt to loyalty, salaries, remuneration etc.*
- *Develop the JV team as a “JV team”*
- *Treat people as one company without favouring some from one or more of the partners*
- *Lack of commitment from shareholders*

People and careers

SASOL
reaching new frontiers



- *Ensure proper job analysis and design to avoid using people and creating jobs for existing staff being taken into JV*
- *Select staff with the maturity to adapt, form partnerships and work in diverse environments*
- *Lack of suitable staff people allocated to a JV and local cause failure*
- *Sufficient training, career planning and support – essential*
- *Beware of complex structures*
- *Secondees often have problems with careers in or returning to shareholder companies*

Remuneration – a maze?

SASOL
reaching new frontiers



- *There is a link between JV payroll and loyalty – e.g. some secondees are often more equal than others*
- *Managing disparities between foreign and local employees – expat vs expat vs locals*
- *Unique incentive schemes and performance management are developed*
- *Share options become a nightmare as some partners have a scheme, others not and JV employees often do not share in the same way as secondees do*
- *Take the best from partners*



Experiences

Working in/with JVs

SASOL
reaching new frontiers



- *Treating Expatriate secondees like locals –China*
- *Having JV's report to wrong levels in Partner Companies – Germany*
- *“Mandating” Americans are different to “Mandating” South Africans - USA*
- *Questions lead to obligations – Japan*
- *Purposes may differ –China*



International Best Practice

International Best Practice

SASOL
reaching new frontiers



- *Maintain a strong link with the Parent Companies – establish networks and governance structures to support this*
- *Ensure that the Parent Companies understand and are aligned with the JV business plans (don't create an island)*
- *Share best practices and lessons learned with Parent Companies*
- *Ensure culture integration and the developing of common values in diverse and sensitive environments*
- *Design correct and appropriate profiles and ensure human capital compliance*
- *Realise that the Expatriate remains primarily a “Parent Company” employee and secondarily a JV employee*
- *Provide Leadership Development that compliments the complexity and unique nature of the JV*
- *Create the capacity within the Parent Companies to ensure the human capability that JV's will require*



References

References

SASOL
reaching new frontiers



- *Merwe v Pletsen – Sasol Chevron*
- *George Couvaras – Sasol Chevron*
- *Trevor Stallbom – Chevron*
- *Johan du Preez – Sasol Wax (previously Merisol)*
- *Guy Bessant – Sasol Chemicals Shanghai (previously Bayer and Stolt)*
- *Douglas Morgan – Human Edge*
- *Gary Fielding – Clariant*
- *Kobus vd Watt – The Beijing Axis*
- *Ari van Steenhoven – consultant on JVs in China*
- *Extracts from the Corporate Leadership Council*
- *Extracts from the Harvard Business Review*
- *“Business Insights” – Peter McAteer*
- *Own experience with JV’s in SA, Germany, USA, Japan and China*