

## FACT SHEET ON JOINT VENTURING



Joint venturing – also known as partnering and teaming has been around for a very long time. In fact, people began forming joint ventures and partnerships at the start of the industrial revolution. In the early part of the industrial revolution people would form partnerships to hunt, grow fruits and vegetables and to barter for goods and services. Today, partnerships and **joint venture is a business arrangement in which two or more parties undertake a specific economic activity together.**

Joint venturing has grown phenomenally in the market place in the past several years. In contracting, the concept of a joint venture is when companies or individuals come together to fulfill a common goal, such as being more competitive, through the sharing of resources, ideas, skills, products/services or risk. A joint venture can take on many forms. They can be as simple as a one-on-one agreement to do something for the common good of the partners. An example of a simple partnership can be an agreement between two individuals where one agrees to sell the merchandise of the other and both share in the profit. Other types of partnerships/joint ventures can be very complex partnerships where legal and contractual agreements among the partners are required. Complex partnerships can take the form of business arrangements such as distributor deals, co-marketing ventures, royalty deals and licensing deals.

So why bother to set up a deal like those mentioned? Because partnering can be a great way to turn under-utilized resources into a new profit base, as well as obtain talent that your company does not have. In doing so, you can:

- turn slow-moving products/services into improved cash flow,
- leverage your business' human and financial resources to become more efficient and productive; and
- obtain human and financial resources needed by your company to become competitive.

When negotiating a deal or setting up a proposal, remember that there must be something in it for both parties. The benefits among joint venture partners do not always have to be equal, nor do they have to be reflected in terms of monetary value. For instance, if you are just starting out and you have a software development company, you might want to partner with a major prime contractor who provides computer hardware and related services that is interested in keeping their customers happy. This enhances their capability and gives their clientele another reason to continue doing business with them and you get visibility and additional sales.

When you decide to pursue establishing a joint venture or partnership you will have many questions, such as:

- What are the benefits of a joint venture to my company or me?
- How do you set up a joint venture?
- Who should be doing what?
- How does the income and expenses get split?
- Who should own the product or service? or
- How do you protect yourself?

To find answers to these and other questions that may arise, you should make sure you review and understand the regulations pertaining to joint ventures. If you are an 8(a) certified small business concern you should become familiar with Title 13, Part 124.513 of the Code of Federal Regulations (CFR). ([www.sbaonline.sba.gov/regulations/124/](http://www.sbaonline.sba.gov/regulations/124/)) And, if you are a small business concern located in a Historically Underutilized Business Zone, (HUBZone) you should become familiar with Title 13, Part 126.616 of the CFR. ([www.sba.gov/gopher/Parts/13cfr126.txt](http://www.sba.gov/gopher/Parts/13cfr126.txt))

All joint ventures are not successful. To put your partnership/ joint venture on a track to be successful partners, you should:

- Clearly define goals and objectives to be accomplished by the partnership, this will prevent any misunderstandings among the partners;
- Clearly define the role and responsibilities of each partner in the venture;
- Ensure open and quality communications among the partners of the joint venture; and
- Ensure that the strengths of each partner are fully used.

You can make joint venturing arrangements by yourself or you might want to contact the Small Business Administration's local office located in your area or contact SBA's resource partners; the Senior Core of Retired Executives (SCORE) or the Minority Business Development Centers located across the nation. You can find these and other SBA resources and services closest to you at; [www.sba.gov/regions/states.html](http://www.sba.gov/regions/states.html). You may also contact them at the following address:

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409 3<sup>rd</sup> Street, SW, Fourth Floor  
Washington, DC 20416  
1 800-U-ASK-SBA