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Building Successful JV Partnerships

LED BY:

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CEREAL PARTNERS WORLDWIDE (CPW)

Established in 1990, Cereal Partners Worldwide is a long-standing partnership between Nestlé & General Mills. Headquartered in Switzerland, CPW employs over 3900 people, is present in 130 markets and has 15 factories worldwide.

Its portfolio includes more than 50 different brands including NESQUIK, LION, CHEERIOS, FITNESS and CHOCAPIC.

David Clark led Cereal Partners Worldwide as CEO and President from 2018 to 2023.

Joint ventures are unique in their structure yet provide universal lessons for all organizations. The executive team of a joint venture must lead in a way that is both collaborative and independent. They must become masters of stakeholder management and learn to balance their owners' needs while prioritizing the joint venture's goals.

01 THE NATURE OF JOINT VENTURES

Joint ventures typically arise for two reasons:

1. **New Business:** Two companies require each other's capabilities to realize a new growth opportunity.
2. **Resource Allocation:** The parent company wants to redirect its resources to a higher growth area but doesn't want to entirely let go of a business, product, or market. It enters a joint venture to offload some of its activity to a partner.

The most successful joint ventures are formed to create mutual value between the parties. However, joint ventures are often mistakenly founded to diversify risk and allow a quick exit to one or both partners. In these cases, they are usually short-lived and result in a loss to one or both parties.

Success Factors

1. **Common mission**

   The joint venture has one clear objective that neither of the partners can achieve without the other.

2. **Long-term commitment**

   In joint ventures with high barriers to exit, energy is directed to maintaining a healthy relationship and solving problems rather than constantly evaluating the partnership's feasibility.

3. **Complementary capabilities**

   Each partner admires and requires the capabilities the other brings to the joint venture.

4. **Shared culture**

   While each partner may have different cultural norms, both are driven by the same underlying values and goals.

Cereal Partners Worldwide

CPW was formed to allow General Mills and Nestlé to grow their global market share in breakfast cereals. General Mills was the expert in the category but had limited presence outside North America. Nestlé had an extensive global go-to-market infrastructure and a strong brand, but it was inexperienced in producing or marketing breakfast cereals.

Nestlé admired General Mills' brand-building expertise, consumer knowledge, and HR expertise while General Mills admired Nestle's global scope and commercial prowess. Over 30 years later, these characteristics remain true, underpinning the strength and longevity of the joint venture.

"When you have mutual appreciation, and you bring those people together in a room, they build each other."

– David Clark

General Mills and Nestlé have different cultural traits. Nestlé is formal and direct compared to the more informal and "Midwest Nice" style of General Mills. However, both companies are dedicated to high ethical standards. They use similar industry terms, share similar customers and go-to-market philosophies, and they both value brand building.

They are both highly committed to CPW. Neither company can leave the joint venture unless they give several years prior notice.

"Better to solve the problem today than live with it for many years."

– David Clark

Complementary Structure

Successful joint venture arrangements allow the new entity to reap the benefits of its parent companies' size and capabilities while retaining its independence and agility.

The joint venture agreement should outline only the necessary and non-negotiable conditions. New leadership and changing market conditions will inevitably lead to debate with either partner company about the joint venture's scope and structure. An important role of the CEO is to understand the agreement and defend it from short-term opportunists by frequently reminding the partners of the original reasons for each condition.

Cereal Partners Worldwide continued…

The joint venture agreement for CPW was just over one page. It included market restrictions (for example, CPW could not operate within North America), product parameters, financial stipulations, and guidance around shared leadership.

The board of directors comprised five senior executives from each parent company. This included Nestlé's regional CEOs and the CEO and CFO of General Mills. Both partners recognized that a ceremonial board of lower-level employees would jeopardize CPW's authority, weakening its ability to deliver on the strategy.

While not stipulated in the agreement, leadership appointments at CPW were guided by tradition. The CEO was always appointed from General Mills, while the CFO came from Nestlé. The leaders of each function aligned with the strengths of each partner. The head of R&D and marketing always came from General Mills, while the head of HR, operations, and sales came from Nestlé.

Complementary Capabilities

Overlap of capabilities between joint ventures and their parent companies is common to facilitate speed and growth. However, as joint ventures, removing duplication can fuel efficiency. Leaders of joint ventures must identify where cost synergies can be taken without jeopardizing their independence or the relationship between the two partners.

"You have to define what muscle is unique to the JV that you need to maintain."
– David Clark

Cereal Partners Worldwide continued…

Shortly before the COVID lockdowns, CPW more tightly integrated its R&D capability with General Mills, and likewise more tightly integrated its manufacturing operation with Nestlé. This required delicate negotiation with each partner company to protect their interests and ensure the joint venture would be well served by these changes. Ultimately, these moves generated significant savings and increased capabilities that benefited CPW and both parent companies. This led to a strengthening of the partnership overall.

02 LEADING JOINT VENTURES

Leading a joint venture requires a heightened focus on stakeholder management. Group allegiances among the board of directors may create challenges that are not as prevalent in independent boards.

Listen

Ensure that directors and other partner stakeholders feel they are heard, understood, and their concerns are considered. Be deeply mindful of where each person's opinion comes from while advocating for the joint venture. Ensure they understand where you want to go and why. Follow up frequently to keep them informed and aligned.

"Failure to listen creates a powder keg of problems that ripple through the organization."

- David Clark

Avoid a no rather than attain a yes

When you believe firmly in an idea, your first instinct may be to seek approval. However, it is the human nature of those you are working to influence to be skeptical and resist change until a secure path is clear.

When navigating disagreement between partners, identify ways to move incrementally forward. Do not expect to receive approval for your full plan or objective in one meeting. Get permission to take one more step. Then, reevaluate the situation and propose the next move.

Be crisp in your story and engage people along the way. Preempt objections and understand why and where they arise.

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Define Success

A successful joint venture does not seek to comply with an accumulation of each parent company's needs but rather sets an independent goal that services its owners. A clear measure of success not only helps to define strategy but is also crucial to avoid or resolve disagreements between parent companies. Be prepared to cede what you may see as an ideal strategy for the joint venture in favor of gaining alignment.

"Alignment is more valuable than an easy target."

- David Clark

Cereal Partners Worldwide continued…

Both General Mills and Nestlé had ambitious sustainability goals. However, rather than CPW trying to advance the objectives of both its partners separately, it first developed its sustainability roadmap.

While one of Nestlé's primary goals was reducing water usage, CPW's manufacturing was not water intensive, and attempting to be more water efficient would imply a huge cost with very little impact on Nestlé's total metrics.

Instead, CPW identified that its largest impact on sustainability was through regenerative agriculture. CPW showed how a narrow focus on agriculture would allow it to have a greater impact on the sustainability goals of both General Mills and Nestlé.

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