JOINT VENTURES

The Board Can Make or Break a Joint Venture

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Companies invest a great deal in the planning and expense of setting up joint ventures, and the results can be extraordinarily rewarding in terms of new value created. Leaders often pay less attention to matters of governance, however, believing that a sound business plan and proven managers and board directors assigned to run the new business are sufficient for success.

That's a mistake. According to a BCG survey, as many as one in three failed JVs across industries can trace at least part of their problems to boards that failed to maintain clear decision rights, disciplined governance processes, and a commitment to acting in the best interests of the JV rather than the parent companies. The survey also found that inefficient governance was the third most common reason JVs don't succeed.

The issue is a rising concern across sectors as more companies are setting up JVs as a path to create new value. JVs face the same pressures and challenges as their parent companies and the wider business environment, but their captive structure and comparative insulation from public scrutiny can mask the corrosive effects of conflicts of interest, management paralysis, and partner distrust that may arise.

With proper planning, JV stakeholders and leaders, especially heads of strategy and corporate development, newly appointed JV board directors and JV CEOs, can establish protocols and expectations that can make the difference between having a board of directors that propels the venture to success and one that is an anchor that drags it down.

In this article, we explore examples of best practices from other types of boards that JVs can adopt as a foundation for success.

Why Ownership Structure Changes the Board's Job

Every board is expected to support long-term value creation, oversee risk, shape leadership decisions, and provide CEO oversight and strategic input. Ownership structure affects these tasks in five ways: who the owners are, what they want, how quickly they can decide, how patient they can be, and how directly they interact with the company.

Compared with public, private-equity-owned, or family-owned companies, a JV board sits in the middle of a more complicated equation, with different parent companies, overlapping but not identical objectives, and operational, financial, and talent links between the owners and the JV company.

For many ventures, success is not just a matter of earnings but includes objectives like capability development, market access, and cost reduction that the board must keep visible and prevent from becoming muddled or contradictory. These different dimensions and complexities demonstrate why value creation in JVs needs to be understood on its own terms.

What Makes JV Boards Distinctive

Many JV boards are run with a focus more on limiting and managing downside risks than on creating value. For appointed JV directors and CEOs, the task is complicated by the absence of financial incentives, undefined roles, and the difficulty of achieving consensus between parent companies with competing interests. Without a playbook or guidance, it's no wonder so few boards, despite good intentions, are up to the task of turning a shared-ownership arrangement into a productive enterprise.

JV boards do not need to force consensus with owners on every issue, but they must maintain clarity on strategic objectives, supporting the delivery of needed capabilities from the owners, identifying where the owners' interests converge or diverge, and making sure governance protocols and red lines are clear to management.

The task gets harder when owners provide technology, people, capital, or other ongoing contributions to the JV. Those interfaces are often critical to unlock the full value creation potential of the JV by providing access to the combined capabilities of the owners. But they can also create drag and value leakage if no one is governing them deliberately. In some cases, one owner provides the JV with services whose value is greater than that owner's share of the JV's profits, creating a conflict of interest most JV boards aren't built to handle.

Conflicting loyalties can also be a factor because appointed directors are often influenced by incentives, reporting lines, or career paths of the parent company that employs them. This can complicate board and CEO decisions that affect the management team and culture building.

> Conflicting loyalties between the JV and parent company interests can complicate decisions that affect the management team and culture building.

JV boards tend to have lighter support structures and are often composed of senior executives from parent companies "volunteering" their time to the JV alongside their regular roles. Unlike professional directors who staff public company boards, they may have little or no board experience and may be stepping into a role they view as having more downside risk than upside incentives. That's why JV board design is so important. Shareholders need to design for director engagement, selecting directors for fit and commitment, clarifying what good board service looks like, and providing enough onboarding and ongoing support to help directors contribute.

Effective JV boards ask: Are parent company support and capabilities being provided as promised? Are service agreements still fit for purpose? Is the board seeing the right information? Are seconded executives clear on whom they serve day to day? Is one parent extracting value that was meant to be shared? Are the owners still aligned on the strategic horizon for the venture?

The JV boards most likely to succeed are those that can answer these questions with a disciplined focus on issues that matter most: strategic alignment, CEO effectiveness, major investments, partner commitments, and the health of the partnership itself. Unfortunately, too many JV boards are unable to address them at all.

Three established models—public, private-equity-owned, and family-owned—are excellent sources for lessons that JV boards can use to eliminate many of the risks and put themselves on a path to success. (See Exhibit 1.)

EXHIBIT 1

Characteristics of Ownership Structures

Type of company	Ownership	Special characteristics	Role
Public	Dispersed shareholders	Mature regulatory and disclosure protocols	Helps management create value under scrutiny of quarterly reporting, a broad shareholder base, and constant market pressure
Private equity	Concentrated	Incentives tightly aligned around specific investment thesis	Operates in a more concentrated setting with tighter alignment, faster decisions, and a clearer investment thesis
Family-owned or privately held	Stable	Relationships matter as much as quarterly outcomes	Leans on stable ownership, longer time horizons, and deeper relationship continuity

Source: BCG analysis.

What Public Company Boards Can Teach JV Directors

Public companies provide the clearest example of what disciplined governance looks like. Their boards operate with broad shareholder scrutiny and a steady cadence of disclosures, meetings, and performance reviews. There are at least three practical lessons for JV boards.

A Consistent Strategic Narrative. Public company boards know that if management cannot explain where the company is headed and why, the market will fill the vacuum. JVs have different stakeholders, but the board and CEO also must be able to communicate a clear value-creation thesis to the parent companies.

Board Discipline. Public company boards must structure agendas, set annual calendars, and pre-wire key decisions to move at the pace shareholders expect. Shareholder expectations of JVs are often less clear, and many JV boards shift the burden to the JV CEO to create structure around agendas, information flows, and decision making. Yet for many JV CEOs, this is their first experience working with a board. In that setting, weak board discipline is rarely a matter of intent; it is the result of JV boards and JV CEOs failing to define what good board discipline entails.

Danaher's board has been an example of disciplined governance and operating cadence. It is known for maintaining rigorous performance metrics, regular strategic reviews and long planning horizons. The lesson for JVs is that repeatable routines and a commitment to continuous improvement elevate decision quality.

Leadership Stewardship. Public company boards think carefully about CEO development and fit as strategy evolves. More JV boards, especially those overseeing seconded management teams, need to manage CEO succession as a core responsibility.

A public company example of leadership stewardship and stakeholder communication is 3M, whose board carried out a well-planned CEO succession in 2024. In the transition, the board temporarily separated CEO and chairmanship roles and clearly explained the governance rationale for the move. The 3M example shows how boards can adapt governance structures when appropriate instead of adhering rigidly to a model and the importance of transparent and consistent messaging.

What Private Equity Boards Can Teach JV Directors

Private-equity-backed companies offer a different model altogether. Ownership is more concentrated, boards are usually smaller, and there is typically much tighter alignment among owners, directors, and management regarding what success looks like.

PE boards tend to be clear about what they expect the company to accomplish over the next six, 12, and 24 months. They also are able to make decisions quickly or change posture when needed; for example, increasing meeting cadence when performance is below expectations. JV boards can benefit from the same instinct.

An example is Blackstone, whose boards are distinguished by capability-based composition, disciplined operating cadence, high-conviction strategy, leadership alignment, and early intervention. When Blackstone acquires a company, board members are typically appointed based on capabilities the company needs, and the board becomes a forum for solving the enterprise's highest-value decisions.

This approach translates well to JV boards, where governance often breaks down because directors protect the parent company's interests rather than the enterprise. When a venture is struggling to achieve objectives, the board needs responsive directors who can concentrate on critical issues that arise and are incentivized to do so.

This comparison is naturally limited. PE boards generally are nimbler because the ownership thesis is unified, compared with a JV board that cannot move until there is enough sponsor alignment. This is why pace alone is not a sufficient measure of success—but it is an important factor.

What Family-Owned and Private Companies Can Teach JV Directors

Family-owned and privately held companies illustrate other governance advantages: continuity and trusted relationships. Continuity matters because many ventures require longer gestation periods than one or more parents initially expect before they reach their full potential. Boards that understand this are better able to resist two common traps: demanding proof too early or losing interest as founding board directors cycle out and new directors, with little context around the instigation of the JV, move in. Private companies such as Cargill, Koch Industries, and Mars have benefited from patient ownership, long planning horizons, and a relationship-based approach to stewardship.

When trust is present, boards and CEOs can address difficult issues earlier and with less defensiveness. The important lesson for JV directors to understand is that the board is not just a decision-making body but also a relationship system. Directors stand to create resilience and value by building relationships outside the boardroom, looking out for the JV's interests, compromising without keeping score, and behaving predictably enough that other directors know where they stand.

> "Directors create resilience and value by building relationships outside the boardroom, compromising without keeping score, and behaving predictably enough to establish trust.

Lessons for Stakeholders

JV leaders and stakeholders can use the board model lessons (see Exhibit 2) to help understand their roles and embrace an appropriate governance mindset.

EXHIBIT 2

Lessons from Three Board Models

Board model	Lessons
Publicly owned	Transparency, disciplined governance, and strategic communication • Clear focus on value, consistent strategic narrative • Board discipline and proactive CEO succession
Private-equity-owned	Focus, speed, and execution accountability • Tight alignment among owners, board, and management • Flexibility to ramp up when needed
Family-owned or privately held	Patience, continuity, and durable stakeholder relationships • Active handovers to new directors to give context • Continuity and stability (for example, handing over the relationship rather than the seat)

Source: BCG analysis.

Heads of Legal, Strategy, and Corporate Development. As the principal architects of the venture, these corporate leaders must treat JV governance as a strategic capability, not a compliance function. It is not enough to define the board size and owner rights. They need to build a board that can work: directors with the right mandate, a meeting cadence that matches the venture's complexity, protocols for surfacing and resolving conflict, incentives that reward productive participation, and practical support for the CEO and management team. In many JVs, those governance choices ultimately prove more consequential than the original business case assumptions.

JV Board Directors. The director's job is to help the board make high-quality decisions that preserve the health, value, and strategic purpose of the JV. Directors who adopt that mindset tend to become trusted contributors regardless of whether they arrived with prior board experience. Directors who remain in an operating or advocacy mindset often struggle, even if they are highly accomplished executives.

JV CEOs. JV CEOs succeed when they act as stewards of the venture, with a focus on creating long-term value. Their primary responsibility is to build trust across shareholders, management, employees, and customers while delivering results. Effective CEOs maintain neutrality, share information consistently, respect governance processes, and avoid becoming instruments of any single owner. This is especially important if they are seconded from one of the parent companies. In many joint ventures, the CEO's most important asset is not authority or expertise; it is the trust that all parties place in their independence.

Looking across ownership structures, the message is not that one model is superior. It is that each model creates a distinct context for value creation, and that context shapes the board environment. JV boards create value when they align multiple owners behind a workable strategy, govern the parent company interfaces that shape performance, and support a CEO who must lead across organizational boundaries. Given their special characteristics, JV boards cannot imitate other ownership structures. But by studying the relevant lessons from these models, they can adopt a governance approach that promotes professionalism, quality decision making, and organizational success.

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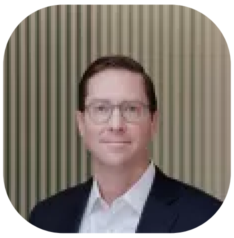

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