



#### MINI CASE STUDY

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# The Culture War

If you Google “joint ventures” you will find definitions that include words like: common interest, cooperative, complement, synergy and flexibility. Merriam Webster’s Dictionary of Law defines it as “a cooperative business agreement between parties that involves sharing resources, control, profits and losses”. Perhaps the important word used in that definition and one that might define the outcome of a joint venture is “agreement”. The parties in a joint venture need to agree on a whole host of issues, structure, control, compensation, and leadership style just to name a few.

A few years back I was asked to assist in the design of the executive reward strategy for a joint venture between two well-known companies. I arrived at the first meeting at a local hotel conference room to find that one of the company’s representatives had already arrived. This company, we’ll call it “J”, brought along a “six pack” of executives all dressed in blue suits, white shirts and red ties. Their dark wingtips were buffed to an incredible shine. The most senior of these gentlemen told me that this team was well prepared to discuss options and report back with recommendations to senior management at “J”. Just then, and somewhat late for the meeting, the representative from the other joint venture partner (we’ll call it “V”) arrived by himself, dressed casually in blue jeans, a polo shirt and cowboy boots. He said he had the authority to make a decision at the meeting and was not compelled or required to report back with recommendations to the higher powers at “V”. “The suits versus the boots” is what that meeting became known as inside our organization.

As the meeting wore on it became clear to me that it would be impossible to develop a single unified executive reward strategy for the new venture that met the interests of both parties. The suits wanted high base salaries, low short-term incentives and nonexistent or low long-term incentives of restricted stock coupled with a healthy supplemental executive retirement plan. The boots wanted low base salaries, high short-term incentive plans, bundles of stock options and no retirement plan. There couldn’t have been a greater difference between them.

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The suits also wanted each executive to have the option to return to “J” if the executive felt that it was in his own best interest. I dubbed that strategy “if the game gets a little rough I want to take my ball and go home”. I suggested an alternative strategy might have given the joint venture a better chance at success, and described to the group the Cortez Strategy. Upon arriving in the New World, Cortez lined his men up on the beach and had them watch as he burned the boats in the bay. The message was clear: prevail in the New World or be buried there, going home if things got rough was not an option. While the boot man cheered the Cortez strategy, the suit men voted with their feet and left the meeting.

Ultimately the suits prevailed. Each executive from “J” and “V” who was sent to the new venture kept his or her own company’s executive reward program and retained the right to transfer back if things did not work out.

New venture was a disaster and produced nothing but discourse among the new venture’s executives. Eventually that discourse overflowed to the parent companies. After a short time the joint venture was quietly closed down.

Sometimes you can tell the difference in corporate cultures as soon as the individuals walk in the room. With such vastly different cultures, this joint venture for “J” and “V” was a failure before it even started.