WHITE PAPER

Pros and Cons of Medical Practice Joint Ventures

When engaging independent physician practices in strategic planning or succession planning, the topic of joint ventures sometime emerges. You might have a killer idea, but lack the resources, finance, or specific knowledge skillset to deliver. With the strong competitive forces in many areas, physicians sometimes contemplate a joint venture with another organization, such as a hospital, as a means to protect their practice without selling out entirely. Sometimes, collaborating with another business that is able to plug the gap can be the way forward, giving you credibility as you move into a new area.

There are many details to study when beginning to think about such an endeavor. Joint ventures are complex relationships and take many different forms. They need careful planning to work. Moreover, the challenges and opportunities are unique to each market, so you must not view a potential joint venture through the lens of what may be occurring elsewhere. Broadly speaking, there are some advantages and disadvantages to consider when weighing the prospect of entering into a joint venture with another entity.

Advantages

•The ability to collaborate with other partners when making business decisions.

•Entering related businesses that previously presented high barriers to entry.

•Gaining access to expertise without the need to hire more staff.

•Sharing the financial responsibility of capitalizing the business.

•The parties can share risks and costs.

•Leveraging existing technologies used by the other organization.

•Establishing a presence in new, untapped markets.

•It is only a temporary arrangement between the parties.

•The parties have access to additional resources as they are coming together for a mutual and specific goal.

•The parties can complete a project which they may not have had the finances or staff to complete on their own.

•Increasing opportunities for growth of your business including financial growth.

Disadvantages

•Setting unrealistic objectives that may not be completely clear in advance and not aligned to a common goal.

•Coping with differing cultures, management styles, and working relationships that prevail in each organization.

•Managing communication with physicians, senior managers, and employees in both organizations so there's a consistent understanding of the objectives of the joint venture.

•Either of the parties making poor tactical decisions, which may affect the desired outcome of the project. These are usually caused by a misunderstanding of the roles of each organization.

•Lack of commitment to the project by any of the parties.

•There are times when flexibility is restricted.

Forming a joint venture with another healthcare organization may be seen as a plausible solution. The success of a joint venture though, highly depends on thorough research and analysis of the objectives. There is no such thing as an equal involvement, and a variety of management structures is possible. Because different entities are working together, there is a great imbalance of expertise, assets, and investment.

ABOUT ABISA

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