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Successful Projects

Founding of a Joint Venture in Saudi-Arabia to secure market leadership

Task – Initial Situation:

My employer, a global supplier for the chemical, petrochemical and refinery industries, already had a comfortable market share in Saudi Arabia. The strongest competitor, a company based in Japan, wanted to fight our market position. Through a confidential information by a former sales manager of this competitor I learned about plans of this company, to start-up a Joint Venture (JV) in Saudi Arabia together with a strong Saudi group and so to achieve a strategic advantage. My task was to prevent the success of this JV and to establish countermeasures.

My Solution / Actions:

I travelled to Saudi Arabia together with the area sales manager and visited all key customers and the local agent. I discussed with all parties how to improve and to extend our local presence and business activities. The clear message I received was that our company would have strategic advantages if we would establish a local company / JV. I convinced the corporate management to pursue the JV option.

The first approach was to our agent, but he refused. He already was active in the service business and saw no advantages for himself. Consequently, I analyzed the Saudi market for other potential partners. I participated in organized visit events of the German-Arab Chamber of Commerce to talk to possible interested companies and relevant Saudi government agencies. After numerous talks I identified a suitable partner and introduced him to our corporate management and started negotiations about a JV. I also engaged a Saudi law company who had German lawyers familiar with both legal systems, German and Saudi. He assisted in setting-up the corporate JV contract as well as the Saudi procedure to set-up the JV officially incl. all necessary permits. I prepared all necessary documents and identified suitable areas to build the necessary workshops. Together with our JV partner I defined the strategic targets for the JV, and I also hired a person of trust to set-up the production and to train necessary personnel. In parallel, our partner and I talked to all Saudi customers to introduce the new JV and adjusted the JVs local service concept accordingly. By this, we had the immediate customer acceptance and trust right at the JV start-up.

Result:

The JV has been founded successfully. From the beginning, it was successful and profitable. The service concept has developed into a second business unit for the entire group with a sales volume of approx. 20 Mio. USD per year. It became successful also beyond Saudi Arabia, such as other Middle East countries and South East Asia. Thus, the strategic advantages of the Japanese JV were successful neutralized, the market leadership was consolidated.