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Advantages of Joint Ventures

In today's world, it seems that almost any topic is open for debate. While I was gathering facts for this article, I was quite surprised to find some of the issues I thought were settled are actually still being openly discussed.

A joint venture is business association with two or more parties merging resources for a particular purpose or project. Setting your business goal/s is the first step when entering a joint venture. Your goal may one of the following: expanding a marketing coverage, sourcing out information and business links, building credibility with a specific target market, or accessing new markets that is hard to aim in a solo business. After you have set your goals, you should look for a trusted business co-participant who shares a common goal. Third step is exchanging business concepts with your chosen co-participant. Fourth step is securing the joint venture by written agreement. You need guidance of a legal professional guidance to do this. Here are the following advantages of joint ventures:

1. Access to new technologies - If you want to enter into global markets and have a prosperous business, access to state-of-the-art technologies is very important. Joint ventures can provide a thriving or growing business with right new technologies that a solo business cannot develop due to costs or other resources constraints. Investing on new technologies offers risk but if a purchase is based on well-thought planning, failure can be avoided.
2. Cost reduction ? Costs of production, distribution, technology, transportation, and other needed capabilities can be reduced with joint ventures. It is much easier to focus on product or service enhancement when you don't worry so much about exceeding and impractical costs. If this is the case, you are most likely to expand your business eventually.
3. Provide participants the opportunity to learn - Forming an alliance allows the participants to work with other businesses in the same or related industries. This provides participants with the opportunity to learn from each other's successes and mistakes.

So far, we've uncovered some interesting facts about Joint Venture. You may decide that the following information is even more interesting.

4. Sharing risks - Joint ventures allow participants to exploit new opportunities. To be successful in a project, participants must have rapport and open communication. The very important role in sharing risks is the square root rule which means the success of a particular project depends on the risk preferences of the venture participants.
5. Improves market credibility, penetration and access - All businesses struggle at the start in building acceptance, penetration and access within their target market. Joint ventures allow customers to have trust and confidence on a particular project. It also helps attract more customers and improves coverage.
6. Lesser chance of your partner becoming a competitor - Since your fellow participant in a joint venture alliance have similar goals, interests, and business perspective with you, merging resources upshot to lesser chance of competition when it comes to the particular project.
7. Better market feedback - When a business is able to provide state-of-the art technologies, better market coverage, enhanced credibility and penetration, customers are able to give feedback more. Joint ventures are healthy alliances that help a business understand better their market. By allowing you to focus on developing your strengths, joint ventures provide the ability to respond more quickly and effectively to change. In some cases, joint ventures also allow you to open up to global opportunities.

About the Author

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