Pros and Cons of a Joint Venture

There are just more than enough accounting and business reasons to get into a joint venture. Your company could truly benefit from partnering with other firms with complementary resources and abilities like distribution channels, technology, and finance, among others. It is not surprising that these days, almost all companies are getting into or at least considering participating into joint ventures. Take note that not all joint ventures succeed. Experts assert that only about 40% of such business endeavors last and achieve goals.

Getting into a joint venture is like getting into a give and take relationship. In such a business effort, you should also contribute to the alliance instead of just reaping benefits from it. Your contribution could also be in the form of capital or expertise/technical share. Just like any other business strategies and measures, joint ventures have their own sets of general advantages and disadvantages.

First on the list of pros, a joint venture could bring about opportunities to gain or learn new expertise or capacity. Even major or huge companies decide to get into such initiatives especially when they lack specific technical capability or expertise. Through a joint venture, they could learn the skills and technical capacity they need by the end of the partnership.

Second, a joint venture could enable companies to enter into related business activities, reach new geographic markets, or attain new technological skills or knowledge. The businesses could access greater resources, including new technology and specialized staff.

Think about what you've read so far. Does it reinforce what you already know about Joint Venture? Or was there something completely new? What about the remaining paragraphs?

Of course, a joint venture would force companies to share risks. If your business could not gather the guts to try out a new initiative or project because of the risks involved, you could still pursue the endeavor by making it a joint venture with other firms. This way, the chances of success are made bigger and more achievable. Joint ventures are naturally flexible. It could exist in a limited, specified period or just cease to operate once common objectives and business goals are met.

For the list of cons, joint ventures could be taken as mere strategies of opportunistic partners to gain exposure to a new business segment. In many cases, some companies also use the effort just to poach technical experts and professionals from other companies. Joint ventures could also end up in disaster. According to market analyses, up to 60% of all joint businesses worldwide end up in failure.

It could take too much effort and time to establish the right and healthy relationship between joint venture partners. There could be inevitable problems. The joint venture objectives and goals may not be fully clear and well communicated to all participants. There could be imbalance in the level of investments, expertise, and assets infused into the project by the partners. Then, there could be less cooperation and poor integration because of varying management styles and cultures of joint venture partners.

Remember that is always imperative to review your current business strategies and objectives prior to committing into any joint venture. It is important that you first choose the right partners and re-assess your need to actually partner with anyone or any other business for a project of endeavor.

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