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[Why Big Business Firms Form Joint Ventures?](#)

Have you ever wondered what exactly is up with Joint Venture? This informative report can give you an insight into everything you've ever wanted to know about Joint Venture.

Nestle SA and Colgate-Palmolive formed a joint venture to develop and sell candy that can produce plaque and clean teeth. IBM and Lenovo Group also formed a joint venture. IBM sold its PC Division to the China-based company that would make the latter the third world's largest PC maker. Skype Software of Denmark and Tom Online of China developed a joint venture to distribute a simplified version of Skype's VOIP. Is joint ventures business hype or a way to achieve business strategies? Here are the reasons why many big business firms form joint ventures:

1. To develop new products - Examples of functional confectionary products are gum and candy that have health and beauty benefits. Sales of these products are growing for about 6 percent each year which is twice the growth rate of standard gum and candy. Nestle SA had no functional confectionary products prior to its joint venture with Colgate-Palmolive. Cadbury Schweppes, PLC's Adams, and Wm. Wrigley Jr. dominate the functional confectionery segment.
2. Allow companies to improve communications and networking - Kathryn Rudie Harrigan of Columbia University says that in today's business environment joint ventures are most appropriate to topple scarce resources, rapid rates of technological change, and rising capital requirements.
3. Effective way to enhance corporate growth - Strategic partnering like joint ventures are very important to enhance corporate growth. Eli Lilly host partnership training classes for their managers and partners. Starbucks recently joint venture with China's President Coffee and opened hundreds of new branches in China. Eli Lilly and Starbucks are just two of the 10,000 joint ventures formed annually.
4. Globalization - A major reason why firms are using joint ventures as a means to achieve business strategies is globalization. International joint ventures are very common today; one good example is Walmart's successful joint venture with Mexico's Cifra. Such alliance indicates how a domestic firm can benefit immensely by partnering with a foreign company to gain a global presence.
5. Technology - The Internet paved the way and legitimized the need for partnership and alliances. Corporate growth cannot happen without the help of state-of-the-art technologies.

How can a company determine if a joint venture is the best business strategy to pursue? Here are six guidelines:

You may not consider everything you just read to be crucial information about Joint Venture. But don't be surprised if you find yourself recalling and using this very information in the next few days.

1. When synergistically combining unique advantages like closed ownership of a privately owned company and access to stock issuances as a source of capital of a publicly owned company results to enhanced corporate growth, access to new technologies, greater market feedback and more long-term positive consequences.
2. When a joint venture provides the opportunity to reduce risk.
3. When the distinct competencies of participants complement with each other well.
4. When projects are profitable.
5. When two or more firms have difficulty in competing with larger firm.
6. When there exist needs to introduce a new technology quickly.

Other recent joint ventures not mentioned previously include Wachovia Brokerage and Prudential Brokerage. In the U.S. today, firms are acquiring foreign companies and forming joint ventures with foreign firms, and foreign firms are also acquiring U.S. companies and forming joint ventures with U.S. firms.

Is there really any information about Joint Venture that is nonessential? We all see things from different angles, so something relatively insignificant to one may be crucial to another.

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