**Joint Ventures**

A joint venture (JV) is a separate business entity created by two or more parties, involving shared ownership, returns and risks

Joint ventures are different from takeovers and mergers in that the risks and returns of the business formed as the joint venture are shared by the parties involved. Usually this is a 50:50 share, although that doesn't have to be the case.

The parties involved in a joint venture are usually looking to benefit from complementary strengths and resources brought to the venture, as well as sharing the risks and rewards involved.

Joint ventures are often used as a method of one business entering international markets. Indeed, in some cases, this is a requirement of firms entering certain industries in some countries

**Potential Benefits of Using Joint Ventures as a Method of Growth**

JV partners benefit from each other's expertise and resources (e.g. market knowledge, customer base, distribution channels, R&D expertise)

Each JV partner might have the option to acquire in the future the JV business based on agreed terms if it proves successful

Reduces the risk of a growth strategy - particularly if it involves entering a new market or diversification

**Potential Drawbacks of Using Joint Ventures as a Method of Growth**

Risk of a clash of organisational cultures - particularly in terms of management style

The objectives of each JV partner may change, leading to a conflict of objectives with the other

In practice, there turns out to be an imbalance in levels of expertise, investment or assets brought into the venture by the different partners

What happens if the JV business fails? Can the JV be closed or sold amicably?