Research

Joint ventures on the rise

New survey results find executives are largely positive about their past experience with joint ventures and expect such partnerships to grow.

Eileen Kelly Rinaudo and Robert Uhlaner

Joint ventures and M&A are both poised to grow in the coming years, as interest in corporate partnerships grows. In fact, 68 percent of respondents to McKinsey's newest survey on the subject[1] expect their companies' joint-venture activity to increase over the next five years, and 59 percent expect an increase in M&A.

Not surprisingly, the more experience companies have with joint ventures, the more likely they are to use them. Nearly 90 percent of respondents at companies with more than six in operation report that joint ventures are either frequently or occasionally considered as serious alternatives to M&A—compared with only 40 percent at companies with none at all. Moreover, executives hold a largely positive view of how past joint ventures have performed. Most describe the joint venture with which they are most familiar as a successful one. Respondents also report that more than half of their companies' joint ventures met or exceeded at least one parent's expectations (Exhibit 1).

Those are promising indicators for companies currently managing joint ventures or contemplating new ones, though there's plenty of room for improvement. Most executives say, for example, that their companies lack consistent management practices from one venture to the next. In fact, even companies with the most active joint ventures tend to manage their partnerships individually (Exhibit 2). And few respondents report the use of standardized resources, such as playbooks, that enable consistency and the sharing of best practices. They also report little consensus on the way to measure joint-venture performance and are divided over what success means. For example, meeting revenue targets is widely acknowledged as an important measure of success, but keeping to the expected timeline for key milestones is not. o

[1] The online survey was in the field from March 11 to March 21, 2014, and garnered 1,263 responses from C-level and senior executives representing the full range of regions, industries, company sizes, and functional specialties. Of them, 982 executives have personal experience with joint ventures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

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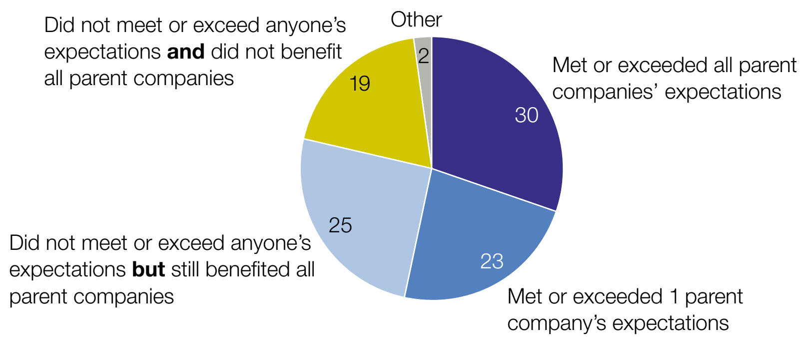
Exhibit 1

More than three-quarters of joint ventures have either met initial expectations or benefited all parent companies.

% of respondents,[1] n = 982

Overall performance of companies' joint ventures



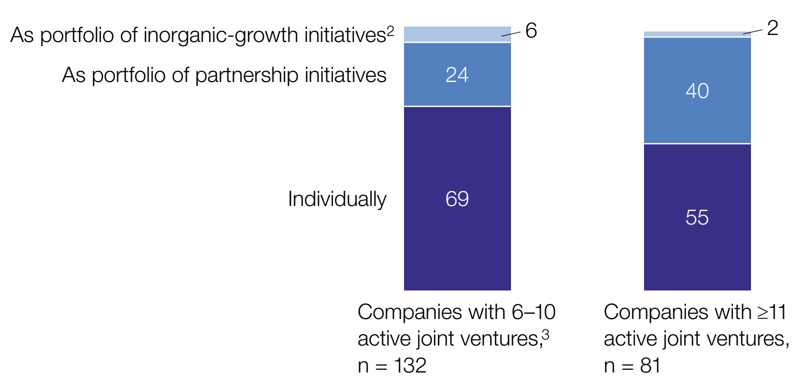
[1]Figures do not sum to 100%, because of rounding.

Exhibit 2

Even companies with a large number of joint ventures tend to manage them individually rather than as part of a portfolio of initiatives.

% of respondents[1]

How respondents' companies manage and assess ongoing joint ventures



[1]Figures do not sum to 100%, because respondents who answered "other," "our joint ventures are not actively managed," or "don't know" are not shown. For each category, respondents were asked about management at the corporate and business-unit levels; the segments reflect combined responses from those whose companies manage joint ventures at both the corporate and business-unit levels.
[2]Includes M&A.
[3]At companies with 1–5 active joint ventures, executives report similar results. Given the nature of the question, the "1 active joint venture" responses cannot be separated from the others in this group.