European Joint Venture
Training Program 2025/26

Making the complex practical

European Joint Ventures: Lessons Learned

September 2025

Five lessons learned from creating and operating joint ventures

In this contribution to our European Joint Venture Series we share five of the most significant practical lessons we have learned from experience of advising on a wide range of transactions across the continent.

1 Every joint venture is unique

Joint venture (noun): a commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.

Organisations create joint enterprises in an infinite number of ways. And because the parents retain their distinct identities, more often than not they will have multiple touch points with the joint venture. Unlike mergers and acquisitions which are typically structured first and foremost around the features of the target entity, the structure of a joint venture is predominantly driven by the nature of the relationship the parties want to build.

An acquisition offer can generally be presented on the basis of a relatively small number of commercial terms with due diligence and legal detail to be filled in later. That is far more difficult when proposing a joint venture.

As a result, joint ventures are more varied than mergers & acquisitions, both in what they seek to achieve and how they are structured whilst they are also more complicated than commercial contracts.

In our experience, organisations frequently underestimate both the complexity of a joint venture and the scale of the challenge in coordinating multiple touchpoints and stakeholders. If this is identified during negotiations, it can significantly increase the complexity, time and cost of that process. If it is identified after signing it can undermine the operation of the relationship and even lead to a failure of the venture.

Lesson learned: Joint ventures are not a day-to-day occurrence for many businesses. As a result, they do “too little, too late”.

Recommendation: Prioritise early groundwork. Identify all touch points with, and potential impacts on, your organisation (including any wider group) enables structuring to anticipate issues which can otherwise detail the process. Confronting conflicting priorities between established activities and the proposed joint venture avoids more significant conflicts further down the line.

2 Regulation can come from anywhere

Historically, the regulatory focus for a joint venture was typically on the process of formation. In particular, would the contributions from the parent entities constitute a merger. Properly applied, that analysis looked at both the actual transfers of assets and people to the joint venture and contractual commitments – particularly around exclusivity and non-competes – whether in the joint venture agreement or surrounding contracts and licences.

That all remains true but over the last decade the range, scale and speed of regulatory change have grown rapidly. Tariffs, national security and investment control and sanctions have an increasing impact – most significantly where multiple jurisdictions are involved.

This increasingly dynamic regulatory environment has particular implications for joint ventures, the businesses formed by them and their parent entities. New, or revised regulation has the potential to fundamentally alter the performance, or even viability, of the joint venture business. It can rewrite a regulatory strategy on which participation in the joint venture rests. Or it can mean that participation in the joint venture is no longer compatible with a parent entity's broader commercial strategy.

Lesson learned: Many of the companies we talk to, particularly those which already have extensive and complex global interests susceptible to regulation, have become increasingly nervous about potential regulatory risks associated with new joint ventures.

Recommendation: Allowing regulatory risks to drown out commercial opportunity is itself a risk. A more profitable option is often to "get ahead of" the regulatory risks - anticipating them in upfront conversations with regulators and designing them into the structure.

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3 Management can get exposed

Joint ventures do not run themselves. Management and decision – including board composition and reserved matters – are central questions in the design of any joint venture.

In the early commercial stages of negotiation, relatively little consideration is frequently given to the legal implications of appointing an individual to become a director. Most European legal systems include rules governing the duties of directors and the potential for conflicts of interest. Those rules can be particularly problematic for directors on the boards of joint ventures who can, quite naturally, find that the views of the parent who appointed them may diverge from (or even directly conflict with) the interests of the joint venture seen on a standalone basis.

Where the same individual fulfils director or equivalent roles in multiple entities involved in the same overall transaction their position can get even more difficult. Responsibilities for the success of the joint venture itself may conflict not simply with the interests of a shareholder but of companies within a shareholder's group which have commercial relationships with the joint venture.

Lesson learned: We have seen many examples in which conflicts (or alleged conflicts) are used to exert pressure on a participant in a joint venture (either directly or by putting pressure on senior executives).

Recommendation: Board rights on the face of agreements are only the start of the story. It is equally, if not more, important to choose the right people, equip them for the job and support them over time. That means thinking from the outset about the nature of the role (and the other roles potential candidates need to fulfil) and the pitfalls the individual(s) may face. It also means ensuring individuals have the right support systems around them.

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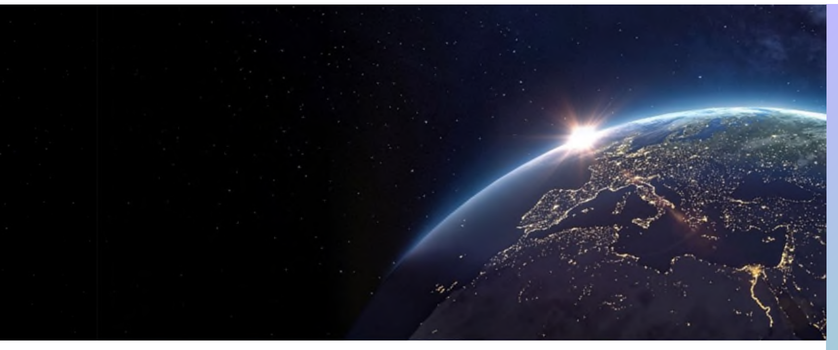

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4 Value is intangible

As business becomes increasingly complex, value is decreasingly concentrated in self-contained business units, operations or facilities which can be defined, ringfenced, owned and managed.

Increasingly, value is less tangible – both IPR and quasi-IPR assets (for example, software, data and knowledge) and also through webs of contractual relationships (including those which provide access to those assets).

As a result, the role of joint ventures is increasingly to pool, create or enhance these less tangible forms of value by establishing a network of new relationships between the participating enterprises. Traditionally, many joint ventures were defined by the parent entities contributing assets, people or money to a business which would then operate on a largely self-standing basis – with the role of the parents often confined to appointment of directors and taking strategic shareholder decisions.

By contrast, the proportion of joint ventures which are defined by long term relationships with (and frequently dependence on) the parent entities has grown rapidly. In some cases, those factors are so powerful as to render the traditional equity joint venture structure otiose – meaning that a purely contractual structure may be just as, or more effective. In other cases, an equity structure may still provide value but only as part of a bigger picture.

Lesson learned: We frequently see this triggering issues including:

- where a JV incorporates an equity structure, too much emphasis being placed on that element, and insufficient focus being placed on associated contracts and licences;
- where no equity structure is involved, an assumption that the JV is "just a commercial contract" and an associated underestimation of the complexity involved and focus required;
- structuring being overly driven by relatively definable factors, including tax and regulation, with insufficient attention being paid to the more complex, but fundamental, issue of capturing and protecting value.

Recommendation: Ensure that the structure (and terms) of your joint venture are driven by substance not form. Focus on where the value will lie, and how that value will be grown, protected and shared. This will help to prioritise effort, work and focus in the right places.

5 Change is quicker than you think

As the world "speeds-up" the conditions facing organisations are becoming more complex.

Technology (including artificial intelligence), geopolitics (including increased politicisation of regulation, competition law and trade controls) and public perception (including consumers taking a social or environmental lens to corporations) mean every business needs to navigate more change and uncertainty than ever before.

Joint ventures face this challenge – multiplied several times over.

Firstly, because the joint venture is not simply a business itself with its own unique challenges; it is also exposed to the indirect impacts of uncertainty and change on its parents. Each parent will itself be exposed to factors which may have implications for the joint venture – its strategic prioritization (or otherwise) of the joint venture and potential conflicts with other investments or business activities, its ability or willingness to fund the joint venture, changing attitudes of politicians, regulators or the public to the shareholder and its activities.

Secondly, the ability of a joint venture to navigate change is constrained by the involvement of two or more parents in decision-making. Even if not entirely hamstrung by deadlock, the joint venture can be slower than its competitors to react and disagreements can sow seeds of discord which undermine future success.

Lesson learned: We have worked with many businesses which have been fixated on the current situation (and so fail to think ahead) or go to the other extreme and get lost in overthinking potential future scenarios.

Recommendation: Plan for change – but be realistic. Identify the types of change which the joint venture is likely to face and prioritise those which are both likely and potentially most significant. Seek to anticipate those in the way the joint venture is constructed to provide some framework to navigate them to avoid deadlock. But also accept that you cannot plan or legislate for everything and ensure all parties go into the relationship with their eyes open.

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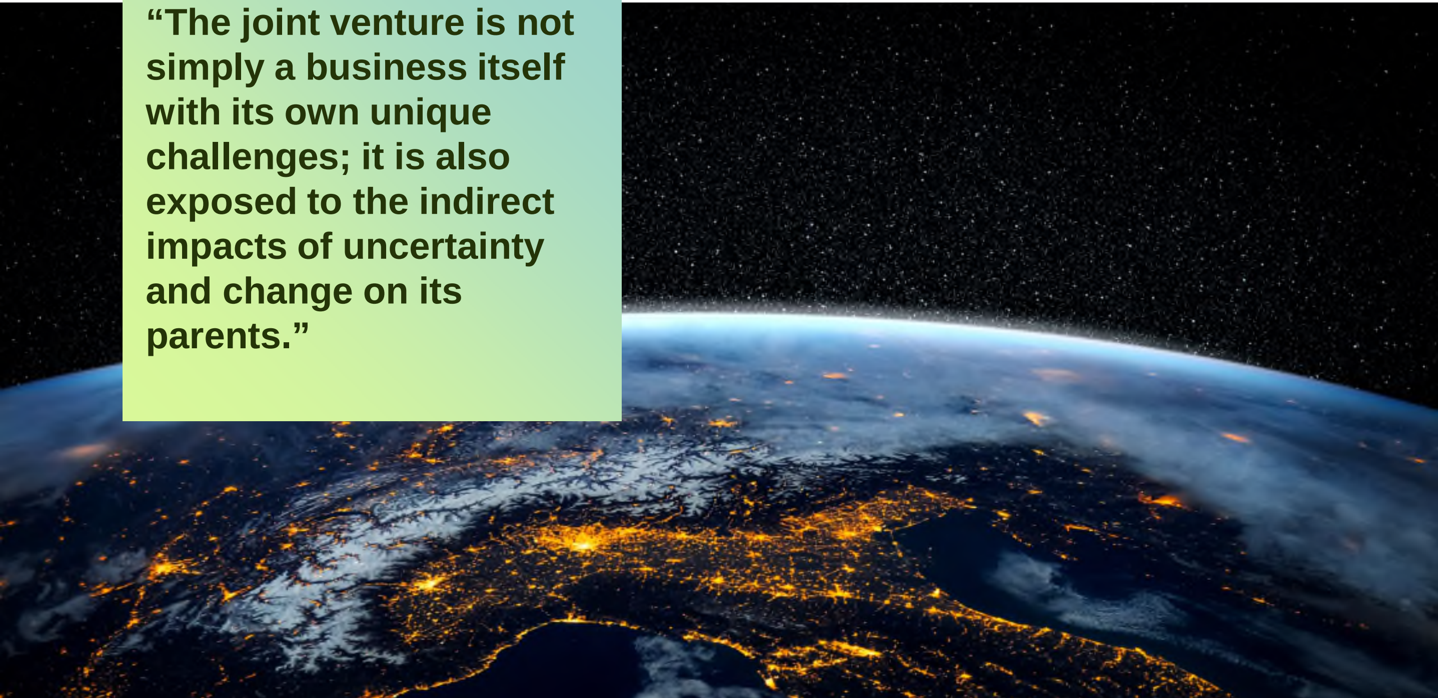

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