

STRATEGIC ALLIANCES

A strategic alliance is a collaborative arrangement between two or more firms to pursue agreed common goals. Strategic alliances take many different forms:

A strategic alliance may or may not involve equity participation: the alliance between General Motors and Peugeot to develop cars together was covered by GM taking a 7% equity stake in Peugeot. Other alliances are agreements without any ownership stakes: the agreement between Nokia and Microsoft for Nokia to develop a range of new smartphones based upon the Windows phone-operating system involves no exchange of equity between companies. A joint venture is a particular form of equity alliance where the partners form a new company that they jointly own.

Motives for Alliances

Alliances are motivated primarily by opportunities for exploiting the resources and capabilities owned by different companies.

For example, Bulgari Hotels and Resorts is a joint venture that combines Bulgari's reputation for luxury and quality with Marriott International's capabilities in developing and operating hotels.

There has been a debate about whether the primary aim of strategic alliances is to access the partner's resources and capabilities or to acquire them through learning. The strategic alliance between Intel and DreamWorks Animation allows each company to access the other's capabilities in order to jointly develop next-generation 3-D films. Conversely, General Motors joint venture with Toyota was motivated by GM's desire to learn about the Toyota Production System.

In most instances alliances are about accessing rather than acquiring capabilities: for most firms the basic rationale of alliances is that they allow the firm to specialize in a limited range of capabilities while enabling the exploitation of specific opportunities that require a wider range of capabilities. A key advantage of such alliances is the flexibility of the offer.

Alliances also permit risk sharing. In the petroleum industry for example, projects normally come in the form of joint ventures. For example, Kazakhstan's Kashagan field, the biggest oilfield discovered in the last 30 years, is being developed by a consortium of several firms such as Shell or Exxon Mobile.

It is tempting to view a strategic alliance as a quick and a low-cost means of extending the capabilities available to a firm. However, managing alliance relationships is itself a critically important capability. This capability requires building trust, developing inter-firm knowledge sharing routines, and establishing mechanisms for coordination.