Strategic Alliances

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Reference this article

Abstract / Definition
Strategic alliances have made it possible for corporations to swiftly gain access to markets, exchange technologies, form defensive shareholding blocs, enter third markets in combination with other partners, and engage in otherwise prohibitively expensive technologies and production facilities. Strategic alliances overcome many of the limitations of mergers and acquisitions and seem to avoid culture and organisational shock and yet achieve rapid presence in new markets.

There are three main types of strategic alliance amongst non-competing firms. International expansion joint ventures are formed by companies that originate in different countries. Vertical partnerships bring together two companies that operate at two successive stages in the same production process. Cross-industry agreements are cooperations formed by companies from different industries to leverage their complementary capabilities.

Strategic alliances amongst competitors fall into three categories. Pre-competitive or shared supply alliances cover one stage in the production process. Quasi-concentration alliances cover the entire production process and results in a common product marketed by all allies. Complementary alliances are formed when the assets contributed by the partner firms are different in nature.

Despite the apparent advantages of strategic alliances, their value is less appealing to corporations with proprietary technology, strategic cost advantage and high market share.

Keywords
Strategic alliances, co-operative strategy, joint ventures, co-opetition,

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