

# **Chapter 7: Global Alliances and Strategy Implementation**



# Chapter Learning Goals

- 1. Realize that much of international business is conducted through strategic alliances.**
- 2. Understand the reasons that firms seek international business allies and the benefits they bring.**
- 3. Understand the complexities involved in managing international joint ventures.**
- 4. Appreciate the governmental and cultural factors that influence strategic implementation; as well as the impact of e-commerce.**
- 5. Recognize the changing factors, opportunities, and threats involved in joint ventures in the Russian Federation.**



## Opening Profile: Haier Group—Growth Through Strategic Alliances, Acquisitions, and Global Networks

- **Haier Group is the fourth-largest white goods (refrigerators, washing machines, and other appliances) manufacturer in the world.**
- **Haier has established an extensive sales network around the globe, primarily through strategic alliances with key partners in prospective global markets.**



# Strategic Alliances (*Cooperative Strategies*)

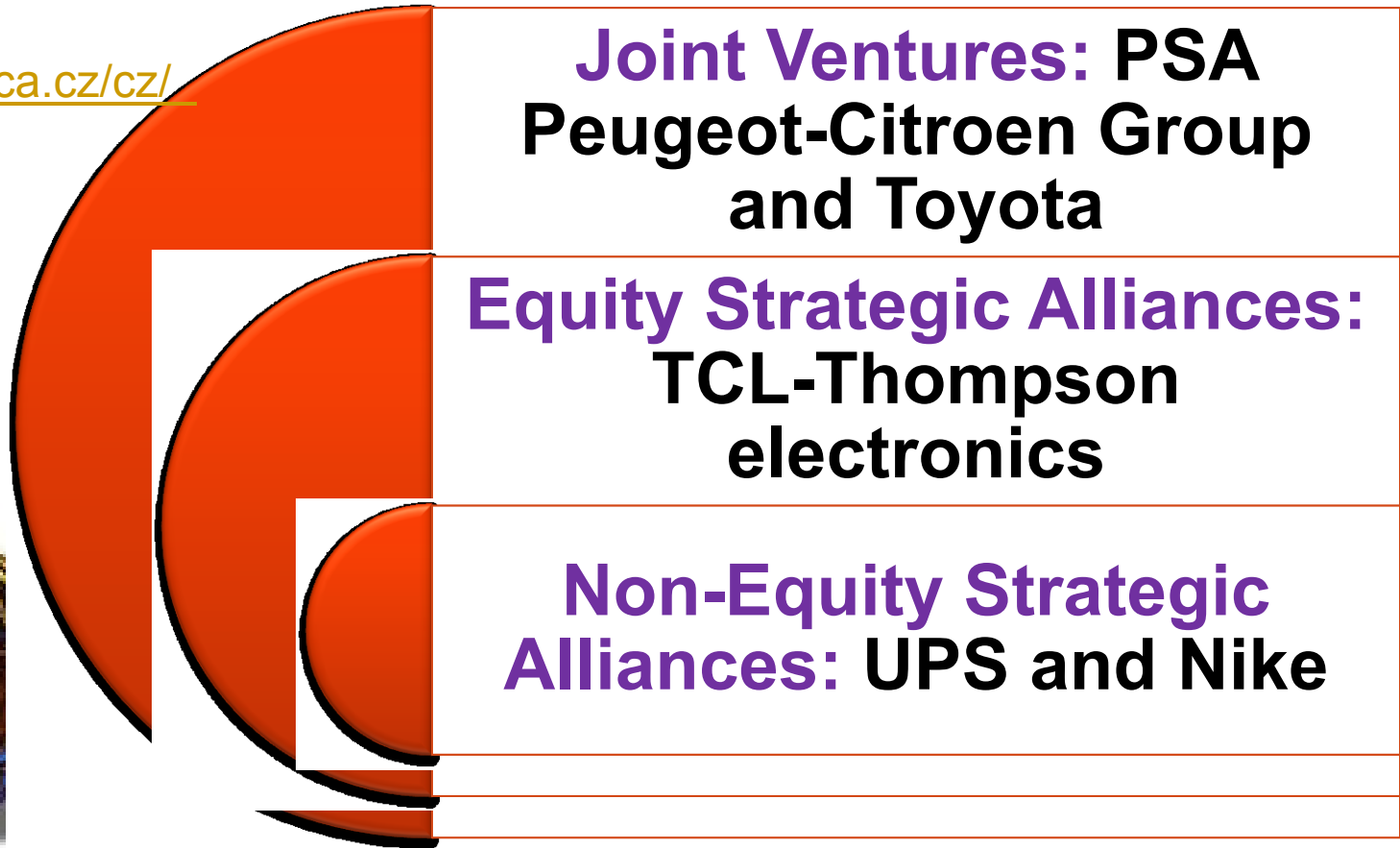
## Strategic Alliances



- Partnerships between two or more firms that combine financial, managerial, and technological resources and their distinctive competitive advantages to pursue mutual goals

# Categories of Strategic Alliances

<http://www.tpca.cz/cz/>



# Global and Cross-Border Alliances: Motivations and Benefits



**To avoid import barriers,  
licensing requirements, and  
protectionist legislation**

**To share the costs of research  
and development of new  
products and processes**

**To reduce political risk while  
making inroads into a new  
market**

# **Global and Cross-Border Alliances: Motivations and Benefits**



**To gain access to markets (EU), where regulations favor domestic companies**

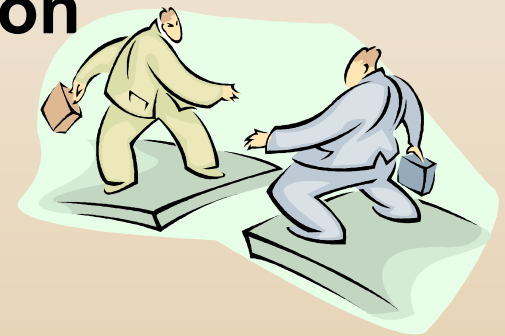
**To gain rapid entry into a new or consolidating industry and to take advantage of synergies**

# Challenges in Implementing Global Alliances

- Many alliances fail or end up in takeover



- Choosing the right form of governance
- The benefits of cooperation versus the dangers of new competition





# Guidelines for Successful Alliances



**Choose a partner with compatible strategic goals and objectives.**

**Seek complementary skills, products, and markets**

**Work out how each partner will deal with proprietary knowledge or competitively sensitive information**

**Recognize that most alliances only last a few years**

# Comparative Management in Focus: JVs in Russian Federation



# Comparative Management in Focus: Guidelines for Establishing JVs in Russian Federation

Investigate whether a joint venture is the best strategy—acquiring a Russian business may be better.

Set up meeting with appropriate authorities well in advance.

Be above board in paying taxes.

Set up stricter controls and accountability systems.



# Comparative Management in Focus: Guidelines for Establishing JVs in Russian Federation

Make it clear your firm does  
not pay bribes

Assign the firm's best  
managers and given them  
enough authority

Take advantage of local knowledge  
by hiring Russian managers

Designate considerable funds for  
promotion and advertising to  
establish an image



# Strategic Implementation

- 
- Involves putting decisions about global alliances and entry strategies into action

- Successful implementation requires creating a “system of fits”

- Resources must be allocated

- Leadership is the key



# Implementing a Global Outsourcing Strategy



# Managing Performance in International Joint Ventures

IJV  
Control

- Ensures that the way a joint venture is managed conforms to the parent company's interests

Choice of  
Partner

- Suzuki and TVS Motor in India

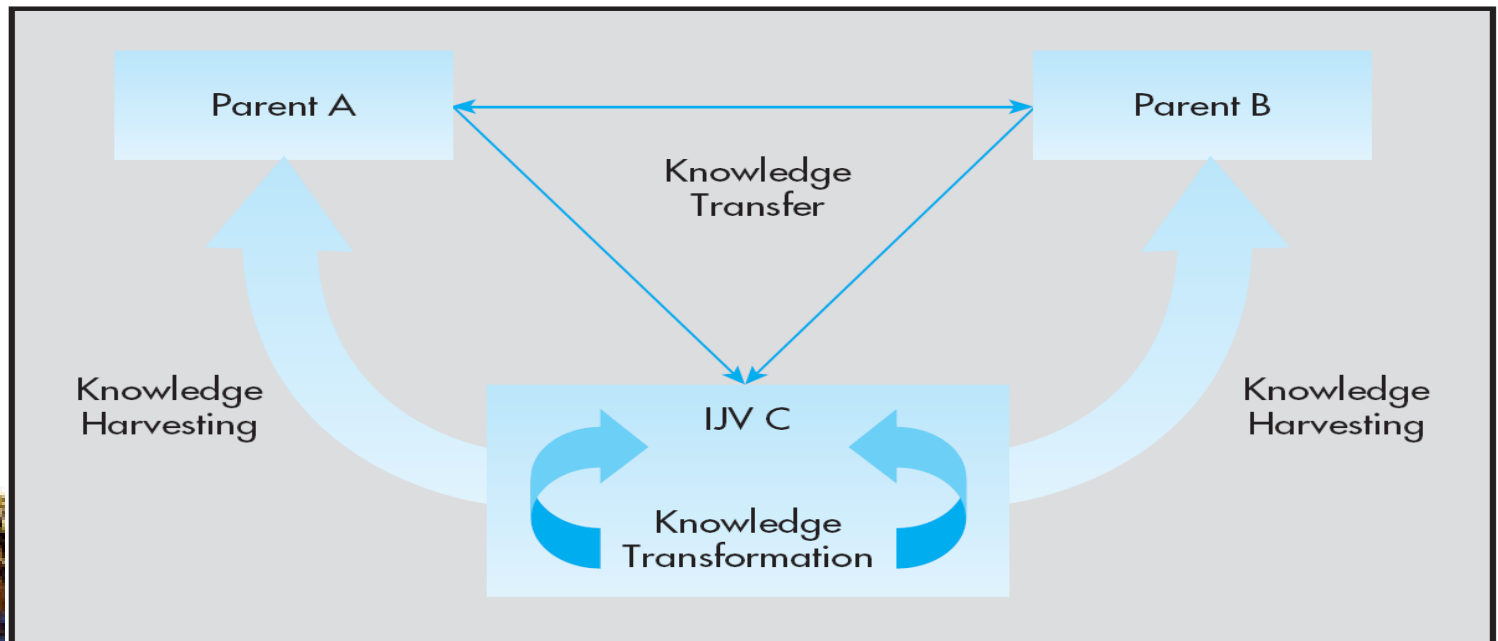
Orgznl.  
Design

- The strategic freedom in choosing suppliers, product lines, customers, and so on



# Knowledge Management in IJVs

## EXHIBIT 7-4 Knowledge Management in IJVs



*Note:* Knowledge transfer usually follows the paths AB and/or BA and BC. Harvesting follows the paths CA and CB.

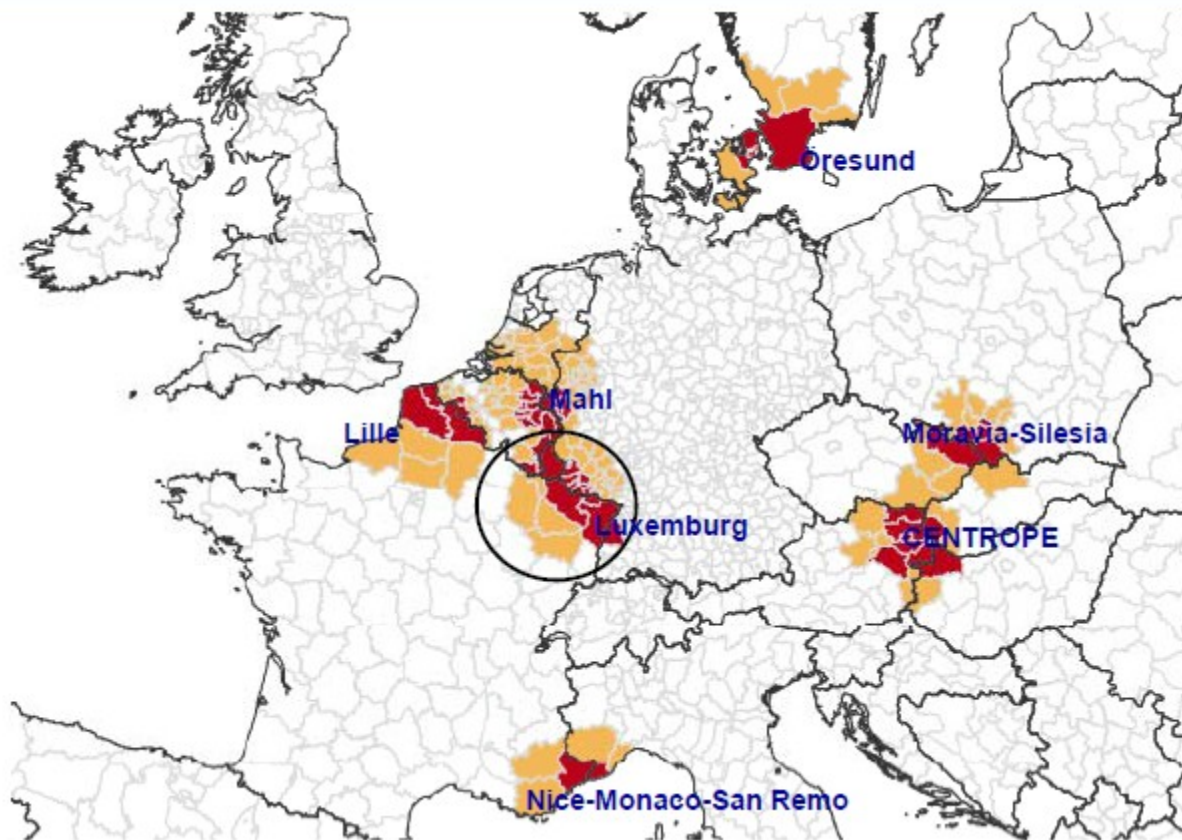
SOURCE: I. Berdrow and H. W. Lane, "International Joint Ventures: Creating Value Through Successful Knowledge Management," *Journal of World Business*, Vol. 38, 1, February 2003, pp. 15–30, with permission from Elsevier.





# Cross-border projects

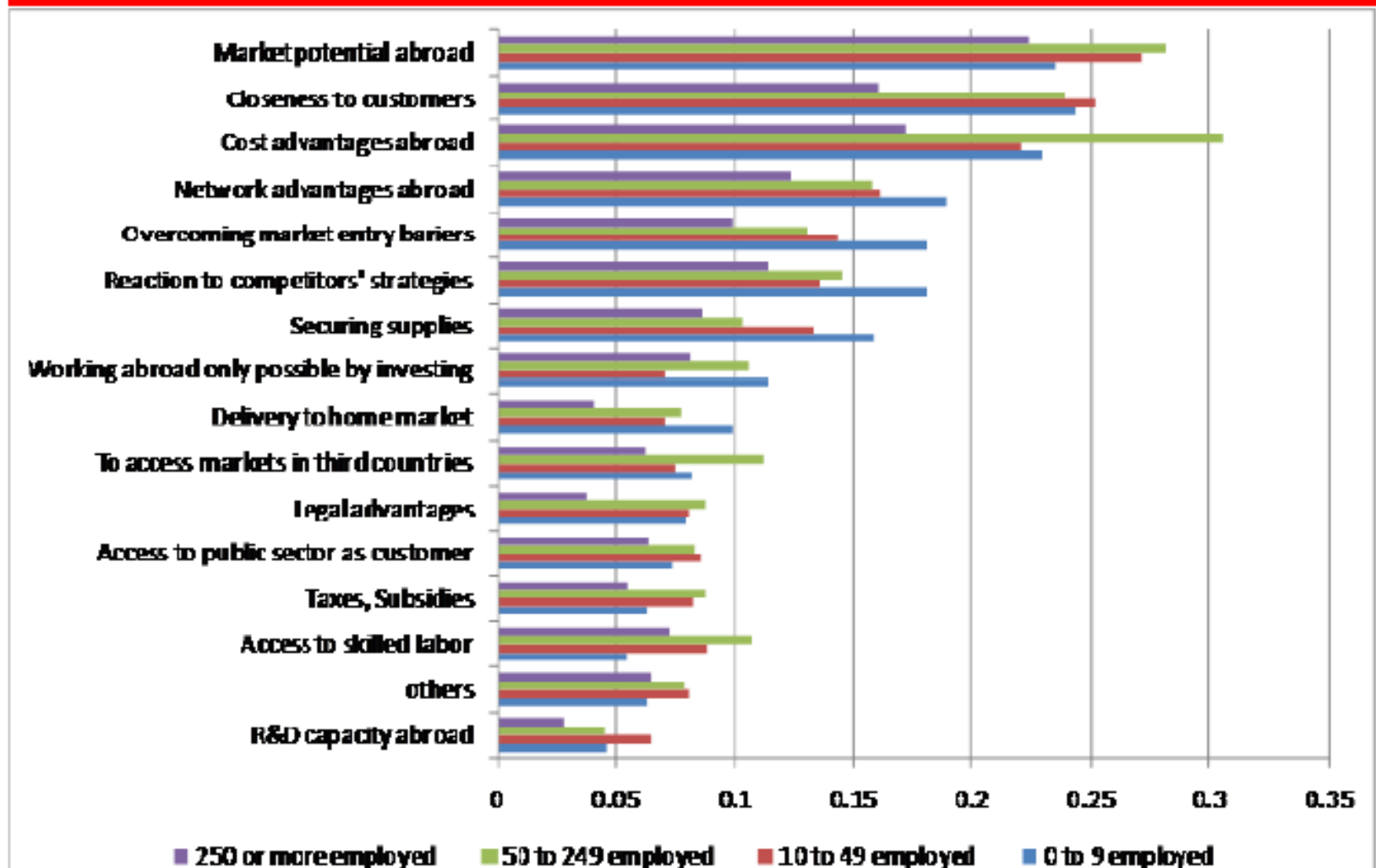
- <http://www.youtube.com/user/CENTROPECapacity>



## Extent and form of Co-operation in CENTROPE (in % of co-operating enterprises in all enterprises)

	Exports	Co-operation	of this		
		Total	Foreign affiliate Joint Venture	Subcontracting Franchising	Other Cooperation
	Total Economy				
<b>Gyor-Moson-Sopron</b>	18.5	14.7	3.2	7.2	5.8
<b>Vas</b>	15.4	9.8	2.8	4.7	3.3
<b>Vienna</b>	23.1	13.7	9.7	5.1	3.1
<b>Burgenland.</b>	14.0	7.0	4.9	2.8	2.8
<b>Lower Austria</b>	17.0	11.7	10.5	8.1	4.9
<b>South Moravia</b>	35.6	11.1	7.6	3.5	0.5
<b>Bratislava</b>	17.1	6.8	4.3	1.8	1.2
<b>Trnava</b>	13.2	3.0	1.7	1.0	0.3
<b>Total</b>	20.4	10.2	6.5	3.9	2.4

# Motives for co-operations by enterprise size



# Problems of co-operations by enterprise size

