**Strategic Alliances:**

A strategic alliance is a cooperation between competitors or potential competitors: they choose to carry out a project or activity coordinating skills, capabilities and resources rather than make war on a market that is more demanding which could lead to separations and acquisitions activities.

- 2 types of alliance

- Advantages of Strategic Alliances

- Disadvantages of Strategic Alliances

- The Questions to Ask

- Answers a strategic alliance

- Outsourcing

- Contracts

- Life Cycle of Alliances

- Conclusion

**2 Types of alliance:**

|  |  |
| --- | --- |
| Non-competing  | Competing |
| - Multinationalization- Vertical partnerships - Sectoral agreements | - Complementary Alliances- Cointegration Alliances- Pseudo-Concentration Alliances |

**a. Non-competing Partners :**

**A - multinationalisation**

The objective is to have access to new market:

alternative export and implementation

Circumvent regulations of foreign countries

Acquire knowledge of the country

Acceptance of its product

**B - Vertical partnerships**

       Associate companies operating in two successive sectors within a single production chain.

**C - joint agreements**

      Cooperation between firms and sectors of different production sectors:

- To develop a new business

- To enter into a new DAS

(BMW + = Rolls Royce aircraft engines)

Convergence of technological or commercial

(IBM + Bouygues = IB2 "intelligent buildings")

**b. Competing Partners :**

**A - complementary alliances**

It brings together companies whose skills and contributions are of a different nature. For an alliance to establish complementarity, it is necessary that the product caused by an ally is not directly competitive with that of a partner.

**B - cointegration alliances**

They bring together firms that combine to achieve economies of scale on a component or stage of the production process alone. These common elements are specific to each company and are competing in the market. There is often a new joint venture.

**C - pseudo-concentration alliances**

They associate companies that develop, produce and market a common product. Skills and contribution to the company are similar in nature and the aim is an ambitious goal. This is a single product that is pooled on the market. The allies will act as the merged entities. This does not exclude internal rivalries in the structure

**Benefits of strategic alliances:**

The benefits that may result from alliances include:

1. access to other markets with new products and services.

2. extend your range.

3. increase the scale of production.

4. obtain lower prices through bulk purchasing.

5. enable research and development through the sharing of costs and resources.

6. Accelerating business growth and increase their turnover thanks to synergies from alliances.

7. Access to new technologies by small and medium enterprises in the case of alliances with large companies (more freedom for companies)

8. Pooling of skills and expertise.

9. Access to a larger size by strategic partners.

10. Successful implementation abroad.

11. Benefits in terms of price and quality of products and production time.

12. Improving the competitive capacity of enterprises.

13. Opportunity to break with partners without worrying about administrative and financial aspects.

**Disadvantages of Strategic Alliances:**

The fact to ally with one or more competitors are also risks:

1 - The risk of lack of coordination and conflict in particular cultural or due to differing business objectives or technical malfunction of one of the partners is important.

2 - Risk of resources dispersal of contractors.

3 - Too small a degree of collaboration may impede the achievement of common goals.

4 - Too much transparency can lead to the weakening of one of the firms.

**And allied companies need to communicate up to establish common goals.**

**In addition, they must develop a common business vocabulary in order to avoid any misunderstanding.**

**Finally a transparency is essential to avoid dispersion of resources. Thus it is useful to create a joint database companies allied to better manage communication (not everything can be transparent).**

|  |  |  |  |
| --- | --- | --- | --- |
| **Investment cheaper** | **less expensive Productivity** | **Productivity effective** | **effective Best Quality Products** |

**This strategy requires time, effort and some companies will not accept the opening of their database for you. This is why an introduction a joint database is a very good idea. Do not be discouraged if you approach potential partners are not open to working with you. Communicate your results and maximum possible results in case of alliance. Introduce common goals and benefits to be gained by this company to the interest by greed. Everyone should be a winner in case of a successful alliance. The two alliances and their clients.**

**Questions to ask:**

When you are looking for a potential partner, you must carefully evaluate the risks. Ask yourself the following series of questions:

• Do you have a clear idea of ​​the desired attributes in your partner (ie d. Place, market penetration, business culture)?

• Your partner can he rely on membership or commitment of its board of directors?

• Do you have ranked the candidates based on specific attributes you are looking for? Clarify all the elements that could complicate data exchange (ie d. Rules for writing numbers, measures or national currency).

• Do you have the same goals as your partner? Have you clearly expressed your mutual expectations? Do not offer exclusivity to someone if a certain volume of sales is realized or if your goals are achieved.

• Will you be competing in the same market? Your alliance does affect your market position?

• Your brand are they compatible? For example, a company whose customers are price sensitive and another that serves upscale clientele could not form a "couple" match.

• How long will the relationship last she? Is it a combination of a point or long-term commitment? Put everything in writing and use a means of communication in due form other than the phone.

• Do you have a strategic plan in mind for your wedding? Do you have a clear exit strategy?

• Do you know what kind of contract you sign? Make sure it is governed by Canadian law. You will also have to clearly define your payment terms, which vary by country.

**Answers, a strategic alliance :**

Together to achieve economies of scale

 In general, an alliance can help a company achieve economies of scale. The union is strength in coming together, partners can get better prices from suppliers and reduce their cost per item.

Using the distribution network of a large company

 The agreements with distributors may allow you to invest more profits in your business. However, it is crucial to develop a profile of your potential distributors to make sure they fit your needs. Create an alliance has much in common with the recruitment of a new employee. You want to find a candidate who fits the profile of your business and you advantageously represents. For example, a manufacturer of concrete products market overlapped with that of a large timber merchant convinces it to make deliveries. This alliance allows both companies to expand their market base. The timber merchant is now promoting concrete products in lumber yards, and manufacturer of concrete products, the wood materials in supermarkets and renovation firms where she was already selling its products.

Relay information

 You can also enter into strategic alliances with suppliers to develop new products, to exchange knowledge and to distribute you training activities to improve your workflow. You can, for example, coordinate your schedule with their production, reduce costs by reviewing the volume and timing of orders and expand your range of products and services. Remember that you need to keep your partner informed of developments regarding the new products and to develop your forecast sales plans accurate.

Choose the best partner

 You will choose your partner based on the ability of the business to meet your key criteria. It is important not to be seduced by sales pitches that do not meet your requirements. You should take the time to do research, check the credit history of potential suppliers directly and collect the opinion of companies that have done business with your potential partner. Remember that if the price is important, reliability and speed are equally important.

A joint venture for the production site

 Another strategy is to create a joint venture where one partner is responsible for the production and distribution of products in a given region. In general, you transfer the knowledge and know-how in exchange you would collect royalties. Your partner is your business benefit from its expertise in a specific market and allows you to have easier access to it. The important thing is to choose the training alliance that will help you take your business to a higher growth.

Otherwise, without recourse to an alliance with another company, you outsourced your business (production services) outsourcing your production to reduce its costs.

**Contracts :**

In the case of the alliance between Accenture and Oracle I am currently experience under my 3 month internship in the second year of business school, there are only two contracts.

Given that the two companies operate in several countries, their contracts are global and are valid throughout the world.

These two types of contracts:

a. Alliance agreement (MAA)

b. Distribution Agreement (FUDA)

**a. Marketing and Alliance Agreement:**

This contract is a broad partnership agreement between the two companies, which regulates all the activities of the alliance. Thus it treats the creation of client solutions, the confidentiality of information, structures, penalties, sales marketing is regulated, as well as information ... Everything must be regulated, and it is essential to anticipate his actions to adapt to laws. And the contracts can always be modified to add clauses consistent with the laws of different countries. This agreement takes some aspect of standardization.

**b. Full Use Program Distribution Agreement:**

These agreements are bidirectional, ie IIS take place in both directions, the two companies maintain commitments and negotiate sales rights, exclusive rights ...

The purpose of these agreements is to ensure simple access to the right information to the right people around the world.

Because the goals of these two contracts to regulate the activities and especially to save time.

**Outsourcing:**

It is the transfer of all or part of a function of an organization (company or government) to an external partner. It generally consists of subcontracting activities deemed non-core and non-strategic for a company, it is those who are the least productive of income. It is a strategic management tool that leads to the restructuring of a company within its sphere of activity: core competencies and core business.

Outsourcing differs from simply providing external services and simple subcontracting, insofar as there is a tight control by the contracting company and commitment of the external service provider.

Outsourcing enables better performance for a lower cost and with greater flexibility. The company can restructure and focus on its core competencies, the heart of business.

**Life cycle of Alliances :**

Alliances have a life cycle of Their Own. They are born, grow, mature and die in the 6 stages Described below:

• Evaluating a strategy and potential partners

• Forming a relationship

• Incubating the partnership

• Operating the Alliance

• Transitioning to the next level

• Retiring the Alliance (no longer meets mutual goals)

**Conclusion:**

A strategic alliance designed to increase business growth while ensuring business growth combined. Communication and sharing tools are the key to a strategic alliance. The objective will be to derive maximum benefits through improved customer satisfaction, more sales ...

In accordance with the statutory rules of the various countries concerned.

So you have to adapt the laws in the country holding your business.

Remember that the type of alliance will depend on your strategic objectives.