

Executive Summary

The European Community (EC) Single Market presents Canadian business with an important opportunity. Penetration of this vast and sophisticated market will enhance any company's competitive position in the global marketplace. Success in the European market, however, demands an ability to respond rapidly to changing technological and business conditions. Few Canadian businesses will be able to prosper in the EC if all they do is maintain an arms-length trading relationship.

In a business environment characterized by rising costs and intensifying competition, firms have to go beyond trade. Canadian companies can no longer depend on their traditional manufacturing strengths and exporting practices. Innovation and flexibility are more important than ever, but these competitive advantages are no longer the exclusive preserve of a few industrialized countries. Firms from many parts of the world now possess sophisticated industrial capabilities. As a result, the decisive advantage often goes to those that are closest to the customer. Much depends on familiarity with local markets, possession of effective distribution systems, and the ability to provide good, on-the-spot service.

Strategic alliances enable firms to position themselves in overseas markets without the huge investments that were traditionally the only alternative to exporting. Strategic alliances not only save time and money, they also enable each partner to focus on what it does best, relying on the other to provide the skills, local savvy, resources or financing necessary to achieve success.

This book describes how Canadian businesses can use strategic alliances to enter markets in the EC. The first chapter describes the nature, dimensions, and opportunities to be found in the Single Market, and it explains why strategic alliances are often the most effective mode of EC market entry. The second chapter summarizes the current trade and investment relationship between Canada and the EC.

Subsequent chapters in the book describe how Canadian companies can use strategic alliances to take advantage of the Single Market. Chapter III examines why strategic alliances are popular both in Canada and in the EC and outlines the kinds of alliances companies are using in the EC. This sets the stage for the fourth chapter which guides the reader through the stages and strategic issues involved in forming and managing alliances.

The creation of the Single Market has been accompanied by the emergence of several exceptionally dynamic regions as economic powerhouses. Many of these regions promote strategic alliances between their own firms and foreign firms looking for a developed point from which to enter Europe. International business is taking advantage of the opportunity because it understands the importance of a sophisticated infrastructure and developed capabilities in enhancing competitiveness. Chapter V discusses the key issues involved in selecting a region with the right sort of advantages as a focal point for a strategic alliance. It then describes some of the most dynamic regions in the EC: Baden-Württemberg, Catalonia, Lombardy and the Rhône-Alpes, collectively known as the Four Motors of Europe.

Chapter VI describes a number of EC industries that display particular promise as partners for Canadians. These are sectors in which Canadian businesses are internationally competitive and in which they have shown substantial development capabilities. The book concludes with a summary chapter that draws attention to further change and further opportunities. While the Single Market is virtually upon us, the unification of Germany, recent negotiations between the EC and the EFTA countries, and the transformation of Eastern Europe have all meant that the process of integrating European markets is already going far beyond anything its planners originally imagined. The promise of the Single Market is proving richer and deeper than anyone had anticipated.

Annex A contains a series of questions designed to help managers find out if their firms have what it takes to break into competitive, international markets such as the Single Market. It also summarizes what they need to consider in determining the suitability of a prospective partner. After each question, space is provided to jot down responses. Annex B and C contain a list of important sources of information and assistance available to Canadian firms wanting to partner in the EC.