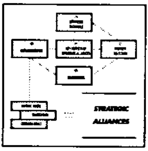

Introduction

This booklet is designed as a companion piece to the Government of Canada video on strategic alliances. The purpose of both tools is to introduce companies to the concept of strategic alliances and to help managers, particularly those of small and medium-sized companies, develop alliances and use them successfully. Both the video and this booklet are organized around four key aspects of a strategic alliance: **strategic rationale, partner selection, negotiation and implementation.** Together, the video and booklet highlight some of the key issues executives should consider in each of these areas. The booklet draws out many of the points raised in the video and provides a number of checklists relevant to forming and managing alliances.

The booklet is by no means an exhaustive treatment of the subject. A brief bibliography is appended for those who want greater detail on any of the issues raised here.

Alliances: A Key Corporate Development Tool

The last decade has witnessed a dramatic increase in the number of strategic alliances. This has touched virtually every aspect of global industry: from large to small companies, from sunrise to sunset industries, and from manufacturing to services. Today, collaboration with both friends and enemies is a key consideration in almost every company's competitive strategy.

The pervasiveness of corporate alliances is profoundly affecting the contemporary corporate landscape. Industry structure in industries such as automobiles, aerospace, computers, telecommunications and biotechnology is now defined by complex networks of companies. Corporate structure, once based on vertical integration, increasingly involves linkages with numerous external partners across a variety of different functional areas.

The growing importance of alliances is also reshaping the nature of competition and competitive advantage. Today, competitive abilities are increasingly based on the leveraging of internal capabilities through relationships with others.

The drive to form alliances is fueled by a diverse set of pressures. These include:

- the enormously high cost of technology development and commercialization, e.g., $1 billion for new telephone switching devices, $7 billion for the next generation of passenger aircraft, $230 million for new drugs
- the recognition that products costing hundreds of millions of dollars to develop may have life spans of less than two years, e.g., current estimates of the life cycle of the average computer range from 8 to 18 months
- growing technology fusion as evidence by products bridging previously unrelated technologies and skills, e.g., the personal communications device, multimedia