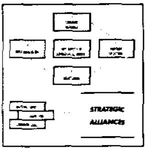

- dramatic shifts in market structures in Europe, Asia and North America and the liberalization of markets in Eastern Europe, Latin America and China
- the increased importance of product standards as a source of competitive advantage and the importance of establishing these standards quickly in the face of intense competition

In the current business environment, speed, responsiveness, flexibility and geographic reach are key determinants of success. Strategic alliances can offer companies opportunities to develop new products and enter new markets more quickly and at a lower capital cost than investing directly or by acquisition. At the same time, they can limit the strain on companies' managerial, financial and technological capabilities.

There are many definitions of what constitutes a strategic alliance. Perhaps one of the most useful and most widely recognized is offered by Jordan Lewis in his book *Partnerships for Profit*.

> A strategic alliance is a formal and mutually agreed commercial collaboration between companies. The partners *pool*, *exchange* or *integrate* specific business resources for mutual gain. Yet the partners remain separate businesses.[1]

COMPETITIVE ADVANTAGE THROUGH ALLIANCES

Strategic alliances can be used to:

- accelerate R&D activity and reduce R&D costs
- develop new businesses
- share risks and resources
- create new ideas and products
- shorten lead times
- access new markets
- facilitate standardization
- build credibility

This definition highlights the various methods of collaboration. By stipulating that the partners remain separate business entities, it also differentiates the nature of the activity from mergers and acquisitions. According to Lewis, the dominant characteristics of a strategic alliance are mutual need, shared risks and a common objective.

Strategic alliances can cover a wide spectrum of activity along a firm's value chain. They can also take a number of different forms ranging from relatively simple contractual arrangements through to full-blown joint ventures, depending on the needs and strategies of the companies involved. Alliances typically include some combination of technology and/or product

[1] LEWIS, Jordan. *Partnerships for Profit, Structuring Alliances*, New York Free Press, 1990, p. 11.