company's long-term strategic goals, i.e., what capabilities will give you a competitive advantage in three to five years. These capabilities might include credibility, geographical presence, distribution, technology and money. More and more today, capabilities also include knowledge.

An understanding of the gap between what you might be able to accomplish internally and what you need will ultimately help you to develop the profile of the best partner and to begin to establish criteria for rating partnership opportunities, if this is the option you choose. An understanding of your capabilities is also valuable in helping you define what you have to offer a potential partner.

Finally, the process should involve an evaluation of your various alternatives and the pros and cons of each. In many cases, a strategic alliance may not be the most appropriate vehicle for meeting your strategic needs. For example, a recent study by McKinsey & Company Inc. found alliances worked best for companies entering new geographic markets and related industries, whereas acquisitions were likely to be more effective in core businesses or existing geographic markets. Moreover, the study also found that using an alliance to hide a weakness as opposed to leveraging a strength was rarely a successful strategy.[2]

Before you decide that an alliance is your preferred route, you must also clearly understand the potential costs involved in pursuing this option. You must consider technology transfer, coordination and management costs. These can be particularly high in international alliances. Potential costs might also include reduction of control, reduction of flexibility in optimizing global production and marketing efforts, lost opportunity costs and the danger of creating or strengthening a competitor.

In the end, it is important to recognize that alliances are a second-best alternative. They make most sense when other internal options are not viable or when it would be foolish to go it alone. Today, however, both of these conditions are more the rule than the exception.

If you choose to pursue an alliance, the more narrowly scoped or focused the alliance, the more likely it is to be successful. Narrowly scoped alliances are those built around a specific product, country, technology or product. Broad-based alliances, on the other hand, seldom seem to work and tend to flounder on conflicting objectives and a poor management foundation.

Before taking the next step, i.e., searching for a partner, you should begin building internal consensus and overcoming opposition (i.e. the N.I.H. syndrome) within

2 BLEEKE, Joel and David ERNST. *"The Way to Win in Cross Border Alliances"*, in the *Harvard Business Review*, Nov.-Dec. 1991, p. 127.