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Review Article

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Strategic Alliances

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Abstract

Strategic thinking and applications to the business sector started in the 1960s as a result of the escalation of competition and conflict between large companies, especially companies that are called ballistic or multiple nationalities. This competition called the different companies to develop their potential and strengthen and stabilize their positions in local and international markets. Thus, companies have adopted effective productive and marketing policies to ensure their survival continual growth in line with consumers' demands and market development and competition.

Moreover, the need for strategic alliances and partnerships was prompted by the increase the scarcity of resources and the difficulties companies faced in securing and maintaining access to those resources' whether in raw materials and production requirements, or in qualified human resources and the combining of expertise and technical and managerial capacity, or any other financial resources or information.

Thus, competition and limited resources available made it necessary for companies, especially big ones, to think of adopting comprehensive strategies that enable them to deal with different variables of the environment based on determining the strategic direction of those companies in the long future. Moreover, companies started to concentrate widely on the environmental variables, outside the companies' domains, on the grounds that variables can make it difficult for companies to influence. Thus, companies find themselves struggling to adapt to work with the variables they can't alone control, due their limited ability to influence them.

In 1980s companies suffered greatly as a consequence of competition and conflict, market expansion, maintaining the local market, or securing continual core resources that they needed, especially those target markets, and those resources of interest to all companies alike. Moreover, the scientific and technological development which happened near the turn of the millennium, coupled with the huge turbulence in the field of innovation and creativity, made companies move from focusing on strategies of "selling what could be produced" to adopt strategies such as "producing what can be sold". Consequently, companies started harsh wars among themselves. This made companies spy on each other (industrial espionage) so that they can find out the innovations and development of their competitors, in order to keep up with competition.

Alternatively, the end of the last century and the first decade of this millennium, economists and strategists adopted a different approach and started to, instead of focusing solely on competition, reduce the frequency of conflict amongst them and advocate the development of cooperation between companies, rather than competition. Thus, strategic alliances and partnership, particularly amongst large companies, emerged and became the norm. Additionally, it should be taken into account that innovation is becoming at the forefront of the management policies and alliances to improve their competitiveness and standing worldwide.

Keywords: Strategic alliances; Strategic management; Financial resources

The Concept of Strategic Alliance

Strategic alliance means cooperation should replace competition and conflict, and usually strategic alliance means joint efforts to control the risks and threats and to participate in profits and benefits.

Some strategic management specialists believe that strategic alliance means two organizations or two or more companies to participate in the resources and activities for the implementation of a specific strategy. And this may be the coalition in the capital or to enter into a consortium or joint venture or in all, with the consequent obligations of a joint-party coalition, and forms of formal cooperation, with the exercise of control of one party over the other in the areas related to their partnership and contract [1-4].

The Reasons for Strategic Alliances

Strategic alliances between large and small companies, and between governments, or between the government and companies have become a necessity in order for the parties in alliance overcome contemporary problems and challenges; especially technological, environmental, and financial. Strategic alliances have unavoidable. This is because of the following reasons amongst others [5]:

A. The extension of technological relations related to research and development (basic and applied research), such as the alliances between oil companies and the petrochemical and pharmaceutical companies; computers and communications, genetic engineering, steel, and bio-fuels and clean energy sources, and others.

B. The technological production necessitates the collaboration or alliances between universities and scientific research centre's, governments and international institutions.

C. The integration of global markets resulted in the use of coalition for liaison and coordination and cooperation, for example,

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the alliance between the European Union, and the alliance between the Group of the Federation of NAFTA (USA, Canada and Mexico), or alliances between computer markets and car markets, and planes and tourism markets, and so on.

One of the most important forms of strategic alliance is in the form of business alliances and economic alliances that aim at transferring of advanced technology from one country to some other countries in accordance with strategic alliances between them. There are so many examples of these alliances such as the strategic alliance between the American Telecommunication Company MCI and British Telecom B.T in the field of communications; and the alliance between computer companies and the global marketing of Microsoft's Windows software.

The Forms of Strategic Alliances

Strategic alliances may take any of these forms:

A. Joint Venture: meaning that the formation of a strategic partnership between two or more companies to participate in the cost of investment and the risks and profits and often long-term.

B. Mergers: Meaning an agreement between two or more to form a new company. Purchase or Acquisition: a company that purchases another company, for the purchasing company to maintain her personality or her name.

C. Direct Investment: the company invested to buy land and build production lines in another company while ensuring other facilities such as recruitment of staff, and the process of manufacturing, marketing and distribution which is known as full ownership.

D. Licensing: the company licensed sale of rights to use intellectual property or technology, or the ways and methods of work, or the rights of copyright, or patent, or trade names or brand to another company in exchange for the benefits the company gets.

E. Franchising: a form of licensing, offering a range of services from the concessionaire to the franchisee for a fee to be agreed.

F. Exporting: the company produces goods in the country and the use of distribution channels is essential to a company in another country or other countries.

G. The most common form of alliances is in the form of foreign corporations which maintain their brand names, logo, etc. and leverage these advantages for their principal for a fee which is normally about 3% of all earnings in addition to further incentives. However, large global corporations with strong brand image can ask for more remuneration and incentives [6].

H. Thus, the principal can benefit from the brand image of another company that may utilize better facilities and technology in order to meet the needs of its agents. In this regard, foreign corporations benefit from the fees charge and rom the brand awareness and equity based. This is because more customers witness their presence internationally; hence, their reputation and competitive advantage could be improved [6].

I. Such alliances allow new and innovative ideas to be implemented easily without much resistance, besides these alliances allow investors to protect their innovations through this means as well [7].

Instances of Alliance

In latest alliance in involving the Middle East took place when it was announced on November 8, 2010 in Dubai, that a company called "Abraaj Capital" and another company called "Endeavour" formed a strategic alliance, which brings together the expertise of the "Abraaj Capital", the largest group of private equity investment in the UAE, and "Endeavour", a non-profit company that seeks to develop emerging markets through support of projects Entrepreneurship, which has a large impact on economic development.

The project includes the establishment of joint regional center of "Endeavour" in the Middle East and North Africa and South Asia (Manassa), to be embraced by a company "Abraaj Capital" based in Dubai. This centre will become a fundamental headquarter from where the alliance seeks to develop its capabilities in the Arabian Gulf and beyond and provide an opportunity for companies in the process of its establishment to gain access to guidance and network of relationships that are necessary for their prosperity. The Dubai office will also provide the opportunity to expand the scope of its activities to new countries in the region, enhance the level of services and its local branches in Egypt, Jordan, Lebanon, and Turkey, which will continue to operate independently.

During the concluding of the alliance "Abraaj Capital" announced its innovation in creating what is called "pioneering for the development of institutions", a fund with a capital of \$ 500 million earmarked for investment in small and medium enterprises in the region, which provides capital and support for a wide range of companies. Moreover, the alliance of " Abraaj Capital "and" Endeavour" has made the development of entrepreneurship a common commitment and stressed the importance of supporting small and medium enterprises to provide employment opportunities and wealth creation. The alliance will bring about a culture of innovation and investment in projects that target sustainable economic development in the region as well as create lasting employment opportunities.

Thus, the alliance of "Abraaj Capital" and "Endeavour" makes "Endeavour" move from being a New York City-based company, which used to support network of 11 subordinate branches in Latin America to the Middle East and South Africa with plans for expansion in more than 20 countries around the world by the year 2015. This innovation has created, as it is deemed, the world's largest investment company.

Another instance of successful strategic alliance that fosters innovation is the recent merger of Samsung Galaxy Tab: Firm with Google by launching tablet to take on Apple's iPad. The Samsung and Google joined in an innovative alliance to take on IPad when they launched their own device at just half of the price of iPad. The Samsung Galaxy Tab with its seven-inch touch screen is smaller than the iPad, however it matches the Apple device in virtually all other functions. Initial details suggest some aspects of the Tablet are even more sophisticated than the Apple creation. This was a blow to Apple iPad. The iPad was a tremendous success, "selling three million units within the first 80 days of its launch earlier this year despite its high starting price of £429." However, the Galaxy Tab can be bought at just £200. This detail of the Galaxy Tab was announced by the South Korean company at the IFA technology show in Berlin [8].

The Samsung Galaxy Tab uses an operating system software, which seriously challenges Apple's own technology. Furthermore, the support for Flash video and cameras front and back that are found in The Galaxy Tab but missing from the iPad. Thus, the Galaxy Tab matches and even surpasses the iPad in most areas. Hence, in terms of pricing and affordability, the Galaxy Tab Samsung is the first real competition for the iPad.

Currently, the Samsung Galaxy Tab and Google's innovative strategic alliance has certainly dealt a killer blow to Apple's iPad [8]. Hence, Apple cannot compete with the strategic alliance of Samsung Galaxy and Google, the later giving them an added dimension that is unsurpassable in making the Samsung Galaxy Tab marketable world wide and at a fraction of the price Apple iPad charges for its product. This ultimately would lead to the near demise of Apple iPad and the immense popularity of the Samsung Galaxy Tab.

Conclusion

From the discussion above we realize that alliances amongst firms are increasingly changing the way business is conducted. Hence, companies are pooling their capabilities to succeed in this complex and rapidly changing businesses. It becomes understandable that the innovative strategic alliance of companies and organizations make them more able to compete and impose their own brands and terms. Had it not been for such innovative alliances, many a company could not have been able to compete in this global market. The case studies mentioned here are instances of strategic alliances fostering firm innovation.

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