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Cooperative Strategy

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1 Introduction

1.1 What this chapter covers

This introductory chapter defines cooperative strategy, and compares it with competitive and corporate strategy. Cooperative strategy can help to improve competitive strategy by enhancing the qualities that afford competitive advantage. It can also strengthen corporate strategy by making the corporate mission more attainable. The chapter then identifies the focus of the book and describes how it is organized into parts and chapters.

1.2 Cooperative strategy

Cooperative strategy is the attempt by organizations to realize their objectives through cooperation with other organizations rather than in competition with them. It focuses on the benefits that can be gained through cooperation and how to manage the cooperation so as to realize them. A cooperative strategy can offer significant advantages for companies that are lacking in particular competencies or resources to secure these through links with others possessing complementary skills or assets; it may also offer easier access to new markets, and opportunities for mutual synergy and learning.

A distinction is made between competitive and corporate strategy (Bowman and Faulkner 1997), and it is important to see how cooperative strategy relates to them. Competitive strategy is concerned with the question of how a firm can gain advantage over its competitors. There are two broad traditions of thinking about competitive strategy. The first emphasizes how superior profits can derive from the structure of the industry in which a firm is located, and from the pursuit of generic strategies—cost leadership, differentiation, or focus—in ways which suit the conditions of that industry (Porter 1980, 1985). The second draws attention to the competitive advantage that can be gained from a firm's unique competencies and resources, which combine to deliver valued products and are difficult to imitate or acquire (Collis 1996). A strategy of cooperation with one or more other firms can be a counterpart to the pursuit of competitive advantage in the ways identified by both these traditions of thinking about competitive strategy. Chapter 5 further examines the motives behind a cooperative strategy, and Chapter 13 elaborates the ability of alliances to enhance a firm's competencies through learning.

The ability to maintain both the structure of an industry and a firm's position within it can be enhanced by cooperation with competitors. This could be a primarily defensive

alliance against dominant firms, or a more offensive alliance intended to secure a stronger position within the industry and/or reduce opportunities for new entrants. Both these kinds of alliance are currently evident within the global telecom industry. The proposed, but abortive, merger in 1996 between British Telecom and Cable & Wireless illustrates an offensive alliance aimed at securing a dominant industry position as the first truly global telecom operator. Other telecom companies, emerging from protected domestic markets and facing aggressive companies such as AT&T and BT, have formed more defensive joint ventures (JVs)—for example GlobalOne formed between Deutsche Telekom and France Télécom.

Sometimes, entry into an industry or regional sector is only feasible in the first place via a partner. The ability to enter some markets, especially in developing countries or those with invisible entry barriers like Japan, may be possible only through cooperation with a local firm. The local firm is able to offer a capability that the foreign partner does not at the time possess. This leads to the second tradition of thinking about competitive strategy, which draws attention to the competitive advantage that can be gained from possessing unique capabilities. Valued competencies and resources are often available only from a partner or from sharing their development with a partner. Alliances may enable firms to gain access to partners' advanced technology or to share the high cost of developing new capabilities through research and development (R&D). The JV with Motorola, for example, gave Toshiba access to the former's microprocessor technology. Cooperation between firms can also permit the pooling of their complementary strengths so as to secure creative synergies. The successful collaboration between Rover and Honda, which ceased only with the decision of Rover's owners to sell it to BMW, was based on identifiable complementarities that gave rise to fruitful synergies. Rover could offer access to a network of component suppliers and subcontractors, spare capacity in its factories, and an understanding of European automobile tastes. Honda was able to offer Rover the quality engineering it badly lacked and models to revitalize its model range (Faulkner 1995). CFM International gave SNECMA of France and General Electric of the USA access to the commercial jet engine market at a time when neither was a major factor in a lucrative market.

Competitive strategy tends to focus on the particular industry and product. Many firms, however, are in, or have the capacity to be in, several businesses and various geographical locations. So there are also the questions of what business, market, and locations should a firm be in and how should it run them? This draws attention to the domain of corporate strategy, which is concerned with selecting businesses and operational areas, and resourcing and controlling them (Bowman and Faulkner 1997). It is the ability to make and sustain these strategic decisions that justifies having a corporate function in the first place rather than constituting each business separately.

The issue of cooperation comes within the purview of corporate strategy in several ways. First, it should reflect the mission and objectives that corporate management sets for a company. If one objective is to become more innovative, alliances may well be sought that promise access to superior know-how and technology. Second, as we have already noted, cooperation may be sought as a means of sharing the resourcing, or its risk, of desired new developments. Third, it may be incumbent on the corporate function to superimpose a controlling and coordinating framework over a firm's different businesses,

especially if these are developing through alliances with different partners in a given country where the company has to maintain a cohesive voice vis-à-vis governmental authorities. These authorities may, as in China, be the customer for several of the separate businesses. A more fundamental connection between corporate and cooperative strategy stems from the trend of firms to seek a global presence and competitive advantage through working within complex networks of cooperative arrangements with other companies. This trend, as Chapter 8 discusses, raises significant questions about the future role of corporate centers.

Cooperative strategy is therefore not an alternative to either competitive or corporate strategy. It amounts to a further domain of policy options whose purpose is to enable firms to compete more effectively. Questions about the configuration and constitution of actual and potential alliances are important items on the agenda of corporate strategy. Figure 1.1 illustrates how cooperation can exist alongside competition but not without tensions and variable results. Where cooperation is high and competition low, there will be strong pressures for the partners to merge, or for one to acquire the other, once an alliance has demonstrated its utility over a period of time. The absorption of ICL, the UK computer services company, by Japan's Fujitsu after many years of cooperation provides an example. Where both competition and cooperation are high, the abiding tensions between the partners will be apparent but the partners will be concerned to learn from each other rapidly, lest one partner defect. In some cases, such as the alliance between Nissan and Renault, mutual stockholding has reduced the risk of defection and opportunism. Where both cooperation and competition are low, the alliance will cease to engage the minds of top management and is likely to achieve only limited results and fail. The alliance between Disney and Pixar in computer-animated films, described in Chapter 18, eventually ended up in this category, accompanied by disputes over revenue-sharing, and broke up. However, where competitive forces between the partners are very apparent even after the alliance has been set up, yet actual cooperation is low, the risk of one partner appropriating the skills and knowledge of the other is high. This situation was evident in the alliances between western and Japanese partners described by Hamel (1991) and it also applies in some degree to the failed JV between GM and Daewoo (Luo 2004: 142–51).

Cooperation	Low *Competition*	High *Competition*
High	M & A or stable alliance Merger or acquisition e.g. Fujitsu–ICL	Mutual learning but high tension; M & A or break up e.g. Nissan–Renault
Low	No alliance rationale Poor results e.g. Disney–Pixar	Stronger takes from weaker Appropriation risk e.g. GM–Daewoo

Figure 1.1 Different combinations of cooperation and competition.

Luo (2004) adapts the framework in Figure 1.1 to analyze the different possibilities of competition and cooperation between rival firms, particularly global players. He argues that a considered balance needs to be drawn between the two, informed by a firm's strengths, needs, and the history of relations it has with other major global players:

> Overly depending on one rival's cooperation increases the firm's vulnerability to opportunistic and conflictual behaviors of the latter. Overly focusing on global competition against one rival is likely to deter optimal resource allocation, risk diversification, asset utilization, and opportunity exploitation. (Luo 2004: 37)

Luo identifies four strategies:

1. A *partner* is a global player that pursues a strategy of high cooperation combined with low competition towards another global player. A high level of complementarity between their capabilities and resources and a low overlap of their markets are two necessary conditions under which global rivals may become partners in certain areas. An example is the collaboration over many years of the US's McDonnell Douglas and Japan's Kawasaki Heavy Industries in aircraft and commercial helicopters.
2. An *adapter* is a global player that has a cooperative mutual dependence with another global player in certain areas, but competes strongly with it at the same time. For example, Hitachi and HP compete strongly for global market share in areas such as rewritable DVD drives, and yet have cooperated successfully for many years in the RISC computer field through technology agreements, joint product supply, and so forth.
3. A *monoplayer* is a global company that maintains both low levels of cooperation and competition with other global players, not interacting much with them. This type of firm enjoys a strong position either in a niche market, such as LKK in Chinese specialty sauces, or a dominant global position in a specialized area where the firm has unique and difficult-to-copy know-how not available to rivals—for example Intel in microchips.
4. A *contender* is a global player that is maintaining high competition with another global player and cooperating very little, if at all, with it. Long-standing rivalries such as those between Airbus and Boeing, or Coca-Cola and Pepsi, are good examples. In such situations, a cooperative strategy is absent and instead the rivals vie for market share and competitive position.

1.3 A key theme

Cooperative strategy has attracted increasing attention over the last decade or so, particularly in the popular management press and the academic journals. Books tackling the subject in a wider and more all-embracing way than is possible in single-theme articles have been less plentiful. A number of coexisting contemporary trends fuel current interest. Companies have looked increasingly to cooperate with each other due to the

limitations of coping successfully on their own with a world where markets are becoming global in scope, technologies are changing rapidly, huge investment funds are regularly demanded to develop new products with ever-shortening life cycles, and the economic scene is becoming characterized by high uncertainty and turbulence.

At the same time the economies of the East are showing distinct signs of upstaging those of the West in an increasing number of industries. Despite the economic dominance of the West during the nineteenth century and the first half of the twentieth, and its emergence from the Second World War in a position of supreme power, world leadership in automobiles, electronics, shipbuilding, steel, and textiles either has been, or arguably is, in the process of passing to the East. If there is one key difference between the West and the East in business philosophies, it is that the West is individualistic and competitive right down to an interpersonal level, whilst the East is collective and cooperative within dense networks of relationships. This, many commentators argue, is the basis of its strength. If so, it is important that Western companies understand the philosophy and practice of cooperation, and perhaps adopt those aspects of it that are culturally congruent with their own way of doing things.

The movement away from the traditional concept of the firm is accentuated by the growth of 'federated organizations' (Handy 1992). This concept places a limited life on integrated multinational corporations (MNCs), which often suffer from high overheads, a bias towards the culture of their national headquarters, and low flexibility. Figure 1.2 portrays the move toward the federated firm. A well-known example of a federated firm is Hewlett-Packard, the computer and printer giant, which has long been organized around highly independent global business units with real profit responsibilities.

A more recent convert to the concept of federation is IBM, one of the most powerful MNCs in the world. After experiencing a significant decline in performance and suspecting a loss of competitive advantage, it decided in 1991 to restructure its operations radically from those of an integrated worldwide firm with a strong single culture to a federation of fourteen potentially competitive companies. This fundamental change clearly placed a premium on the ability of the federated companies to cooperate, where appropriate, whereas previously their activities were coordinated through hierarchical channels. The culture shock was so great, and the immediate results so mixed, that the

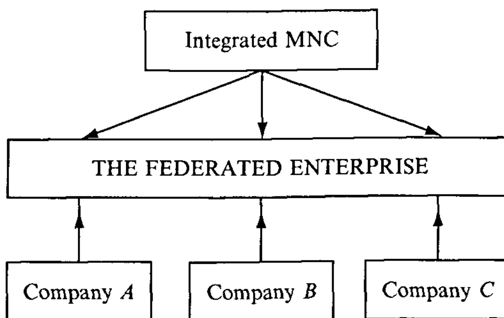

Figure 1.2 The move towards the federated enterprise.

chief executive officer resigned, and his successor, Lou Gerstner came from outside the computer industry. The IBM of today is a more federated enterprise, an advantage as it has shifted its strategic focus to consulting and systems support, while still maintaining a large presence in its traditional hardware and software sectors.

The concurrent growth of alliances approaches the flexible transnational structure from the other end. In other words, it involves the amalgamation of previously independent resources and competencies in contrast to the federation of previously hierarchically controlled resources and competencies. Where the traditional concepts of firm, industry, and national economy start to become concepts of declining clarity, and thus to lose their exclusive usefulness as tools for strategic analysis, the need for an adequate understanding of strategic alliances and other cooperative network strategies assumes increased importance.

1.4 The growing significance of strategic alliances

Strategic alliances and other forms of interfirm cooperation have grown remarkably since the mid-1980s. They are one of the more important new organizational forms. Despite the managerial and organizational challenges they undoubtedly present, there is no sign that alliances are a transient phenomenon. A survey based on 323 questionnaire responses and over 400 interviews with senior executives in 2000 indicated that alliances were 'expected to account for 16 percent to 25 percent of median company value within five years and, astonishingly, more than 40 percent of market value for one-quarter of companies' (Contractor and Lorange 2002: 4).

Alliances are, along with outsourcing and virtual value-chains, one of the defining forms of modern networking among firms. As noted, they represent a clear break away from the internalized, hierarchical model of the firm, of which General Electric and IBM were salient examples in the 1980s. Today, leading corporations such as these have as many as 1,000 alliances. In the past, such corporations might have regarded alliances as a relatively peripheral activity, primarily for entering emerging country markets in which risks were high or government regulations required JVs or licensing agreements. Today, alliances are regarded as a means to achieving fundamental strategic objectives such as a strong market position, significant knowledge acquisition, and major cost reductions.

1.5 Focus of the book

This book attempts to take stock of current thinking on the subject of cooperative strategy. The focus will be on cooperation between firms, though many of the insights into establishing and managing interfirm cooperation can also be applied to partnerships between other types of organization. Alliances, which are partnerships between firms, are the normal agent for cooperative strategy. They are often 'strategic' in the sense that they have been formed as a direct response to major strategic challenges or opportunities

which the partner firms face. Alliances are a means to an end, and consequently they are not necessarily formed with a long-term cooperative relationship in mind. But they may be established with this intention, the more so when the partners invest substantially in them. Once alliances are up and running, partners may also perceive unanticipated benefits from cooperation, such as mutual learning, which lead them to reevaluate it positively.

However, alliances can also be formed with shorter-term objectives in view. A firm may intend to use an alliance as a means of appropriating competencies and knowledge from its partner, which it continues to regard as an actual or potential competitor. Or it may enter into an alliance as a way of taking out an option for the future in conditions of uncertainty—for example, entering an unfamiliar national market. Once it has mastered the uncertainty, it may no longer attach much value to continuing the cooperation.

Whatever the underlying motivation for its formation, any alliance requires an ability to manage cooperation in order to generate returns to the partners. The ever-growing prevalence of alliances, and the need to understand the basis for their successful management, provides the main justification for the present book. It is informed by John Child's work on JVs in China and to a lesser extent Brazil and Eastern Europe, David Faulkner's work on strategic alliances between companies in developed nations, and Stephen Tallman's work on understanding the processes and motivations for alliance strategies. It also attempts to integrate what the authors believe to be the salient ideas of other writers on cooperative strategy in tackling some of the key issues currently under debate in the field. A number of important ideas emerge from the writers' efforts in this endeavor, which are perhaps worth capturing before the reader embarks on the task of a detailed reading of the book:

1. Cooperative strategy is not new; it has always been with us. It means what it suggests, namely the achievement of an agreement and a plan to work together; not the giving of orders down hierarchies. Firms embarking upon alliances with other firms need to keep this in the forefront of their consciousness when devising systems and controls, and activating them in the joint enterprise. This book, whilst concentrating on perhaps the pre-eminent form of cooperation—namely, the various forms of strategic alliance—encompasses other forms of cooperation as well that are met in business activity, even down to the humble distributor or supplier agreement.
2. Commitment and trust are the key attitudes most strongly associated with success in alliances. No amount of energy and clear direction will compensate for their absence. And it should be noted that commitment can exist without trust and vice versa, but both are necessary for a lasting and stable relationship.
3. Strategic alliances, including JVs, collaborations, and consortia, are at base all about organizational learning, and should be structured towards that end. However, many other types of cooperation, such as networks or virtual corporations, are primarily about skill substitution—that is, Company A cooperates with Company B because it sees that its partner can exercise a particular skill better than it can.
4. Other forms of cooperative strategy, such as virtual organizations, networks, and outsourced corporations, are about capability substitution. Their strength lies in

their specialization, adaptability, and flexibility, but not necessarily in the learning opportunities they afford.

5. Cooperative enterprises do not do away with the need for intelligent purpose, a brain, and a central nervous (information) system if they are to achieve competitive advantage in relation to integrated corporations that more self-evidently have these characteristics.
6. To cooperate does not mean to allow all proprietary information to pass unchecked to the partner. As Richardson (1972) warns: 'Firms form partners for the dance but, when the music stops, they can change them.'
7. Issues of control need to be addressed, but more subtly than in hierarchies, as too great a degree of control in cooperative enterprises stifles innovation and motivation, and can lead to the breakdown of the cooperation.
8. A successful alliance is one that evolves into something more than was perhaps foreseen at the outset. Conscious attempts must be made to cause the alliance to develop if it is to attract the best people, and contribute most to the partner companies.
9. The interface between the two (and sometimes more) company cultures is the crucible of potential achievement. Sensitivity to each other's cultures is vital to effective joint operation. Its absence leads to a failed alliance, however great the potential economic synergies between the partners.
10. Information technology (IT) makes the task of coordinating cooperative strategy that much easier, but it cannot and must not be allowed to substitute for bonding between cooperating company executives.

1.6 Organization of the book

These and other key lessons from the research behind this book are developed in more detail in the chapters that follow (see Figure 1.3).

Part I is concerned with the nature of cooperation and its role in strategy. Chapter 2 outlines the main perspectives from economics that contribute to an understanding of cooperative strategy. The theory of cooperative strategy is related to market-power theory, transaction-cost economics, agency theory, resource-based theory, transaction value theory, real options theory, and increasing-returns theory. Chapter 3 continues to address major theoretical models of cooperation, but from managerial and organizational perspectives, such as game theory, strategic-management theory, resource dependence, social network theory, and organizational theory. It summarizes the relevance of these theories and draws out the complementarities between them.

Cooperation depends on trust between partners. Chapter 4 presents the insights into trust that can be derived from psychological and sociological research. This identifies the factors on which trust can be based and through which it can develop. The first step is to find a basis on which the risks of depending on partners become mutually acceptable.

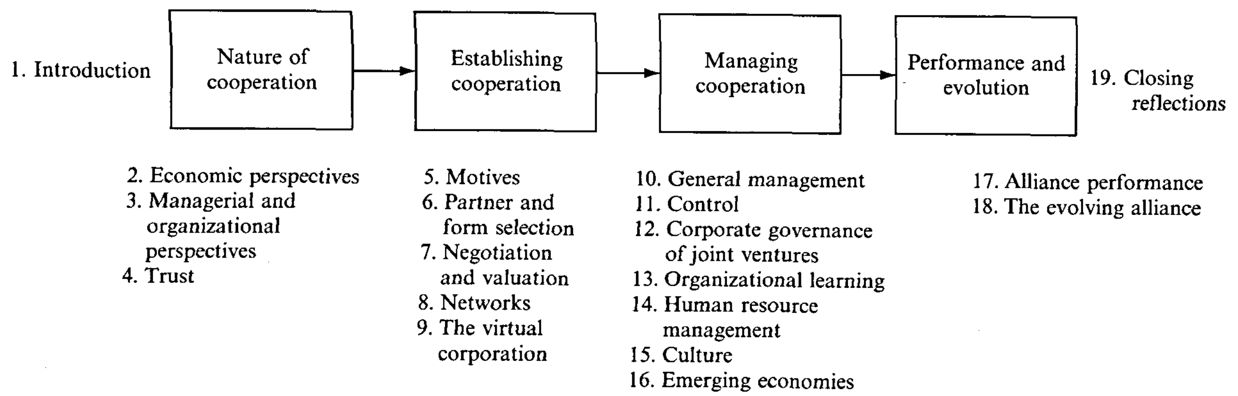

Figure 1.3 Alliance development, as traced through the book.

As the partners get to know more about each other, this improved understanding should breed further mutual confidence. Eventually, the cooperation may become firmly established on the basis of genuine personal friendships between the key participants. These elements in trust development can support the phases through which cooperation within an alliance can develop. The chapter closes with guidelines for developing trust within cooperative relationships between firms.

Part II is concerned with how cooperation between firms is established and the various forms it can take. Chapter 5 introduces the idea of an alliance process by which two firms find each other for a cooperative venture and discusses the principal motives behind a cooperative strategy. It considers the most common reasons for setting up a collaborative activity with a competitive or complementary firm. The various types of resource and skill deficiency are rated in relation to their importance as stimuli to cooperative activity. It is emphasized that it is not only competence vulnerabilities, but also the desire to spread risk and the need to reach markets fast, whilst 'windows of opportunity' last, that drive organizations to set up cooperative arrangements. Strategic, transaction-cost-reducing, and organizational learning motives for cooperative activity are compared and contrasted (Kogut 1988).

Chapter 6 considers the criteria to be highlighted in selecting a partner and deciding upon the appropriate form the alliance should take. Once a collaborative activity has been decided upon, it is necessary to find an appropriate partner. This chapter attempts to operationalize the strategic-fit/cultural-fit matrix. It emphasizes that the possible achievement of synergies through the use of complementary assets and competencies underlies the concept of strategic fit (Geringer 1991). It also draws the reader's attention to the need for intercultural sensitivity if the alliance is to succeed. The second half of the chapter considers the question of collaborative forms, and which one to select. The key characteristics of the various forms of cooperative activity are considered, as well as the circumstances in which each form is most appropriately adopted. In addition to the major strategic alliance forms of the joint venture, the collaboration and the consortium, the flexible nature of collaborative networks is discussed.

Chapter 7 addresses the question of how to negotiate in an alliance situation, and how to value your partner's and your own prospective contributions to the enterprise. It emphasizes that, whereas in a takeover situation, the negotiators are single-mindedly concerned to achieve the best price for their company—the highest or lowest price depending on the side of the negotiating table—this is not the case in an alliance. Unless both partners are concerned that the other has a good deal, the alliance will not prosper over time. A so-called win–win situation is sought. The problem of contribution valuation, however, is truly more an art than a science.

Chapter 8 looks at the strengths and limitations of network forms in greater detail. It considers the varied types of network that form the basis of much cooperative strategy. Networks are the loosest form of alliance between companies. At their weakest they represent a well-developed communication system within an industry that enables companies operating in that industry to keep abreast of developments. They are often crystallized in trade associations. In a stronger form they represent a ready-made band of would-be cooperating companies willing to tackle commercial

opportunities together without setting up formal links that may compromise the individuality of networking firms. Dominant-partner and equal-partner networks are compared and contrasted.

Chapter 9 addresses the concept of the IT-based virtual corporation in the information economy. The 'Virtual Corporation' is the name for the network and IT-orientated form of organization based around centers of excellence in particular competencies. It can be created very rapidly to meet specific, sometimes transitory, sets of circumstances. It can equally easily be dismantled and re-formed as circumstances and profit opportunities change. This new concept is discussed and its strengths and limitations assessed. Many strategic alliances demonstrate characteristics of the virtual corporation.

In Part III different aspects of the management of cooperative activity are reviewed. Chapter 10 discusses the general and overall management of alliances. It emphasizes that the management of alliances differs in its essential nature from that of unitary companies. The ability to give instructions is replaced by the need to seek areas of mutual agreement and to develop constituencies behind a course of action (Kanter 1989). It is noted that appropriate management styles will differ, particularly in the circumstances of a JV, which can be treated much like an ordinary company, and a collaboration, where a sensitive boundary-spanning mechanism is necessary.

Chapter 11 looks at control as an issue in cooperation. It recognizes that control is not possible in a complete sense in alliances because of the consensual nature of alliance activities, but also that some control by each partner is necessary if the partners are not going to feel themselves to be in the hands of total uncertainty. The importance therefore is to specify controls that are at once clear yet flexible.

Chapter 12 addresses the issue of alliance corporate governance, which has been relatively neglected in the literature on alliances. The question of corporate governance arises particularly with equity JVs in which parent companies as owners appoint managers to run the ventures as their agents. This chapter suggests key elements in an analysis of JV governance, focusing on partner preferences. It adopts a broad definition of corporate governance as the process of control over and within the firm (i.e. the JV) that aims to reduce risks to its owners and to ensure that its activities bring a stream of acceptable returns to those owners in the long term.

Chapter 13 deals with organizational learning. It discusses the role of organizational learning in all its aspects as a primary driver in cooperative activity. It distinguishes different forms of learning in alliances, including learning about, from, and with an alliance partner. Learning is divided into technical, systemic, and strategic components and the implications of these distinctions for alliances are identified. Particular attention is given to the mechanisms and policies that help promote and transmit learning within alliances.

Chapter 14 addresses the specific area of human resources. It considers some of the key human resource issues that arise when personnel from different countries and different cultures are brought to work together in a new collaborative environment. The building of local management teams, the nature of training, and the role of the international manager are discussed, as is the role of human resource management (HRM) as a tool of control within alliances.

Chapter 15 is concerned with culture. It is now widely recognized that one of the most common reasons for the failure of alliances is the clash of the partners' contrasting company cultures. These can be reinforced by differences between national cultures in an international alliance. Yet there is evidence to suggest that the issue of cultural congruence is not high on the checklist of companies seeking partners. The chapter discusses the nature of cultural differences and how they can present barriers to performance and to bonding. It also considers measures to overcome such problems. The chapter deals in particular with two distinct forms of potential cultural problem—that between two partners from the developed world, and that between a developed world company and a partner from the developing world such as China, Central and Eastern Europe, and Latin America. In discussing these collaborative configurations, the 'culture problem' will be assessed in its broader institutional context.

Chapter 16 looks more specifically at how to manage cooperative strategy in relation to emerging economies. Cooperation between companies in developed and emerging economies is a particularly fast-expanding feature of global business relationships. The chapter discusses this issue with particular reference to Brazil, China, and India, and seeks to identify ways in which such collaborations differ from those between firms that are both in developed countries.

Part IV addresses the question of how cooperative activity can achieve positive performance, however defined, and be helped to evolve through time. Chapter 17 examines the issue of alliance performance. Unlike unitary forms of business organization, alliances, whether formal or informal, often face differing objectives and so find success and failure difficult to assess. Objectives may be less economic in scope than for other organizations, payoffs may be indirect through influences on other organizations, and economic performance is seldom reported directly. These considerations make both academic study and practical oversight difficult and challenging.

Chapter 18 emphasizes the importance of the role of evolution in the success of alliances. This implies the growth of the alliance in terms of new projects and new responsibilities. It is maintained that all alliances suffer potentially from entropy (Thorelli 1986), and that, unless the bonds brought about by the creation of the cooperative activity are constantly attended to and strengthened, there is an ever-present risk that the alliance will decline in importance to the partners, attract mediocre staff, and steadily become marginalized in the partners' priorities.

Chapter 19 presents some closing reflections on the ways in which progress needs to be made in bringing cooperative strategy further into the mainstream of management thinking. It gives reasons why cooperation between organizations is increasingly appropriate for operating in a complex global competitive economy.

As a whole, the book provides a broad view of the practical and theoretical literature concerning cooperative strategies and the alliance and network organizational forms that are the outcome of these strategies. While based on the research of the authors and representing their views of cooperation, it summarizes and evaluates the work of many other authors as well. It is tied to the academic literature, but is also grounded in cases developed by the authors and others and addresses practical issues of alliance management as well as alliance studies. It can be and has been, used as a textbook in MBA and executive programs.

1.8 Summary

The main points made in this introduction are:

1. Cooperative strategy between two or more companies can both improve competitive strategy and strengthen corporate strategy.
2. Cooperative strategy, although not new, is becoming increasingly important in a globalizing world.
3. Given that the initial match between partners is a sound one, their commitment and mutual trust are the attributes most likely to lead to success in alliances.
4. While information technology can assist the management of alliances and networks, trust-based personal relationships between the key actors involved remain crucial.
5. While some alliances are formed to find a needed source of finance or scarce skills, learning and knowledge transfer provide a rationale for most.
6. Virtual organizations are forms of cooperative strategy.
7. Control is a key aspect of cooperation, and one of particular concern to most alliance partners.
8. Successful alliances do more than just achieve their founding objectives, they evolve into something larger.
9. The interface between the companies is the crucible of potential achievement and successful alliance evolution.

1.9 Questions for discussion

1. Is cooperative strategy an alternative to competitive and corporate strategy or is it complementary?
2. Why has there been so much recent emphasis on cooperative strategy?
3. Can alliances ever be stable organizational forms?
4. Are virtual organizations the form for business in the future?
5. What makes for successful alliances?

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