

# Cooperative strategies essay sample

[Business](#), [Strategy](#)



Cooperative strategy is a strategy in which two or more than two firms work together to achieve common goals. These new cooperative strategies are the outgrowth of the push toward globalization during last decade (Hicks, 1997). It occurs when partnership occurs between firms where they share their resources, capabilities, and core competence to pursue common benefits. Cooperative strategy is the attempt by organizations to realize their objective through cooperation with other organizations rather than in competition with them(Child, 2005). Cooperative Strategy is a means to achieving fundamental strategic objectives such as a strong market position, significant knowledge acquisition, and major cost reductions. Cooperative strategies include the following:

1)Non-Equity Strategic Alliance

2)Equity Strategic Alliance

3)Joint Venture

Joint Venture

It is the one in which two or more firms create a legally independent company to share some of their resources & capabilities to develop a competitive advantage. Example includes Domtar & Cascades formed Norampac. (Hicks, 1997)

Equity Strategic Alliance

Partnership where the two partners do not own equal shares. For instance, Alstream Inc. Microcell & NR Communications. (Lorange, 2002)

## Non-Equity Strategic Alliance

Contracts are given to supply, produce, or distribute a firm's goods or services. The two basic approaches for managing cooperative strategies are cost-minimization and value-creation maximization.

### Cost-minimization:

Effective partner contracts, as well as, capabilities to monitor such contracts are created by the development of capabilities. In specific, idea of such development includes in such approach. However, experts have indicated expensive costs related to writing protective contracts and developing effective monitoring systems. (Lorange, 2002) In addition, a number of opportunities may be limited due to protective contracts and monitoring in organizations. In the result, organizations may not be able to benefit from unanticipated opportunities. It minimizes costs and prevents opportunistic behavior by partners.

### Value-creation maximization:

It is the requirement of another approach of cooperative strategies to create partnership with complementary assets. In addition, such approach emphasizes trusting relationships as well, as costs related to contracting and monitoring will be reduced by the presence of trust in partner companies. Another reason of such reduction is likelihood of opportunistic behavior that will be decreased as well. In this approach, notion of trusts allows ventures to benefit from opportunities. In this regard, costs will be reduced, as well as, added value will be created in ventures with trust between them.(Child,

2005) As less formal contracts are present, fewer constraints are applied. Also enhances learning from each other. Conclusively, by utilizing these two methods, we can effectively manage cooperative strategies.

#### References

Child, John. (2005). *Cooperative strategies* . Oxford University Press.

Hicks, Bill. (1997). *Cooperative strategies* . Lexington Books.

Lorange, Peter. (2002). *Cooperative Strategies in International Business* . Emerald Group Publishing.