

# Advantages of strategic alliance essay example

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



### - Advantages and disadvantages of Strategic Alliances

A strategic alliance in business refers to a business arrangement between two or more business organizations that allows each to attain particularly strategic objectives that not either of the organization would be able to attain on its own. The strategic parties preserve their status as separate and independent entities, share the advantages and disadvantages, and progress to make contributions to the alliance until it is dissolved (Tjemkes and Pepijn 50).

### - Organizational advantages

An organization may form a strategic alliance to learn important skills and acquire particular capabilities from its strategic partner. Strategic alliance may also aid an organization enhance its productive capacity, extend its supply chain, or provide a distribution system.

### - Economic advantages

An organization may reduce risks and costs by distributing them across the parties of the alliance. An organization can also attain greater economies of scale in alliance since production volume can increase, causing the cost per unit to reduce.

### - Strategic Advantages

Strategic alliances may also be applicable to establish a competitive advantage by the pooling of skills and resources. This may also aid with the future business opportunities and the establishments of new technologies and products.

### - Political Advantages

An organization may also form a strategic alliance with a local foreign

business organization to gain entry into the market either due to legal barriers to entry or local prejudice. Establishing strategic alliances with politically influential parties may also aid improve an organization own position and influence.

## **Disadvantages of Strategic Alliance**

### - Sharing

Strategic alliances require an organization to share resources and profits, and usually require an organization to share its skills and knowledge as well. Sharing skills and knowledge can be problematic especially if they involve trade secrets.

### - Establishing a Potential Competitor

## **An alliance partner one day may become the next competitor when it decides it no longer requires the arrangement.**

### - Uneven Strategic Alliances

If the comparative power of each partner in the alliance is undoubtedly uneven, the weaker parties may be pushed around, bullied and forced to continue as the more powerful parties wish.

### - Opportunity Costs

Participating in one opportunity may hinder the other chances that may have been valuable as well. This may be true in strategic alliances that usually need a lot of resources and time to develop properly.

### - Advantages and Disadvantages of working in a Mechanistic vs. Organic Structure

Mechanistic organizations have well-defined, clear, centralized, vertical

hierarchies of authority, control and command. On the other hand, Organic organizations change their structures, processes, and roles to adapt and respond to their environments (Ogidi 5). The following are some of the merits and demerits of working in these organizational structures.

## **Advantages of Working in Mechanistic Structure/Disadvantages of Working in Organic Structure**

### **- Employee Jobs are Highly Formalized in Mechanistic Structure**

Formalization of employee jobs in mechanistic structure helps in making the employee behavior more predictable such that whenever a problem at work arises, employees turn to a procedure guideline or a handbook. Thus, employees respond to issues in a similar way across the organization.

### **- Clear Chains of Command**

Clear chains of command in mechanistic structure allow each employee to have one boss therefore, eliminating the issue of multiple bosses in the chain of command. Furthermore, employees are not confused about whom to go to for assistance, resources and feedback.

### **- Specific Job Descriptions**

Well-written employee job descriptions in Mechanistic structure aid organization employees, who must with other employees hired, understand the boundaries of their responsibilities. Moreover, job descriptions provide a chance to clearly communicate an organization direction and communicate to employees where they fit inside the big picture.

## **Advantages of Working in Organic Structure/Disadvantages of Working in Mechanistic Structure**

### **- Low levels of Formalization**

Low levels of formalization found in organic structure enhance innovativeness among the organization employees since employees are not used to behaving in a particular manner (Cho 74). The low levels of formalization also are associated with increased motivation among organization employees.

### **- Broader Job Descriptions**

A broader job description in organic structure is thorough and contains all of the specific elements of a certain job. This is more advantageous than the specific job description in mechanistic structure that could not fit with a similar job title in any organization.

### **- Higher levels of Job Satisfaction**

Organic structures are decentralized and flexible, with low levels of formalization thus contributing to the higher levels of job satisfaction among organization employees. Furthermore, the higher levels of job satisfaction are also attributed by the presence of communication lines that are flexible and fluid in organic structures.

### **- Ways in which companies can organize to meet customers' needs/wants.**

## **Companies can organize to meet customers' needs/wants through the following ways.**

- Having the right good/service with the right features for example, the product has to look good and work well.

- Charging the right price for the company product.

- Having the good/service at the right time and in the right place.
- Ensuring that the customers are informed of the availability and existence of the product through promotion.
- Ways companies can organize around technology and speed.

### **Companies can organize around technology through the following three basic technologies.**

- Small batch technologies
- Large batch technologies
- Continuous process technologies

Companies can also organize around speed through the following strategies aimed at reducing the total time required to deliver the products.

- Speedy logistics
- Just-in-time operations

### **Works Cited**

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Tjemkes, Brian, and Pepijn Vos. Strategic alliance management. Abingdon, Oxon: Routledge, 2012. Print.