

Strategic alliances: a competitive necessity

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



The past two decades has been an era of global evolution, in which the globalisation of markets, the convergence of and rapid shifts in technologies, and the breakdown of many traditional industry boundaries, has rendered strategic alliances a competitive necessity (Ohmae, 1989). A single firm is unlikely to possess all the resources and capabilities to achieve global competitiveness. Therefore, collaboration among organisations that possess complementary resources is often necessary for survival and growth (Dussauge, Garrette and Mitchell, 1998).

Defined as a long-term, explicit contractual agreement pertaining to an exchange or combination of some of a firm's resources with another firm(s), strategic alliances allow firms to share risks and resources, gain knowledge and technology, expand the existing product base, and obtain access to new markets (Burgers, Hill and Kim, 1993; Dacin, Hitt and Levitas, 1997; Hagedoorn). Although the benefits of strategic alliances are well documented, whether strategic alliances can be a viable entry strategy option for small and medium-size enterprises (SMEs) to successfully penetrate markets held by major incumbent suppliers is less clear.

In this paper, strategic alliances are shown to be an effective entry-cum-deterrence strategy for SMEs to successfully penetrate markets that are well established and dominated by major corporations. In addition, the conditions under which SMEs can use strategic alliances as an entry strategy without restricting themselves to target only those markets ignored by bigger firms are identified.

In terms of methodology, this paper follows a deductive approach - one based on game theory, to examine explicitly the reactions of bigger firms to <https://assignbuster.com/strategic-alliances-a-competitive-necessity/>

the entry of SMEs into their markets, specifically taking into account the resource limitations faced by SMEs. To verify that the theoretical arguments presented are consistent with practice, two cases of the use of strategic alliances by SMEs as an entry strategy to penetrate markets dominated by major corporations are examined. The practices and experiences of these SMEs were found to be consistent with the theoretical arguments presented here.