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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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   REFERENCES

   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.
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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

THE DYNAMICS OF GLOBAL STRATEGY AND STRATEGIC ALLIANCES IN INTERNATIONAL TRADE AND INVESTMENT

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ABSTRACT

Companies in their quest to exploit the economies of scope associated with global trade and investment have made inroads into their nondomestic markets by implementing global strategies. This study, examines the key forces that influence the global strategic choices firms make, and how cooperation among and between firms affect their strategic choices. The study found that the choice of what global strategy firms implement is largely determined by the degree of simultaneous pressures for cost reduction and the demands for local responsiveness. The study also found that firms utilise cooperation as a veritable mechanism to neutralise their resource and capability weaknesses. This study recommends amongst others, that the selected partners for an alliance should have the willingness and ability to help the company achieve its strategic goals, such as gaining access to new markets, sharing the costs and risks of new product development, or gaining access to critical core competencies. In addition, a good partner must share the firm's vision for the purpose of the alliance and be unlikely to expropriate the company's technological competencies or know-how.

KEYWORDS
Global, Strategy, Investment, Alliance.

INTRODUCTION
Economic theorists have advanced several compelling arguments for the promotion of international trade and investments on the basis of free global market forces. The theory of comparative advantage of nations, propounded by Adam Smith (1776) suggests that a nation's wealth will greatly increase if her international exchange of goods and services is based on her endowed resources. Porter's diamond theory (1999) of national competitive advantage prescribed four interrelated attributes (factor endowment, local demand conditions, related and supporting industries, and firm strategy, structure, and rivalry) which should form the global competitive framework of a country and the business enterprises operating within her boundaries. These persuasions have lead to a plethora of multilateral and bilateral trade and investment agreements amongst national governments in recent years, leading to a significant reduction in barriers to international trade and investments. This development has brought about the globalization phenomenon, whereby an unprecedented worldwide market for goods and services has evolved.

STATEMENT OF PROBLEM
In view of the globalization of markets for goods and services, corporate managers necessarily have to evaluate the impact of globalization on the environment in which their company operates and devise appropriate strategies to exploit the unfolding opportunities and counter competitive threats. The production and marketing of goods and services are now globalized and by implication, industries are no more delineated by national boundaries, because many industries have become global in scope. The shift from national to global markets has heightened the tempo of competitive rivalry in many industries. National markets that were once consolidated oligopolies dominated by three or four companies and subjected to relatively little foreign competition, have been transformed into segments of fragmented global industries in which a large number of companies battle each other for market share in countries. This rivalry has threatened to drive down profitability and made it all the more critical for companies to maximise their efficiency, quality, customer responsiveness and innovative capabilities (Hill and Jones, 2009).

STUDY OBJECTIVES
Against this backdrop, this study seeks to examine the rationale for implementing global corporate strategy by globalized firms, their strategic options and the fundamental forces that influence their strategic decisions, as well as to examine how cooperation—strategic alliances—shape the global business model companies implement.

To achieve these objectives, this paper is structured into five sections beginning with the foregoing introduction as section one; a review of literature on the underlying objectives for implementing a global strategy is done in section two; the political risks associated with global strategies are presented in section three; in section four, the paper discusses the key elements that influence the global strategic choices firms make and the rationales for cooperation, while section five presents the summary of findings, conclusion, and recommendations.

LITERATURE REVIEW
Barney and Hesterly (2012), suggests that the rise in the use of global strategies by both large and small firms indicate that the economic opportunities linked with simultaneously operating in numerous geographic markets can be enormous. They argued, however, that for these policy thrusts to be a source of sustained competitive advantage for firms, these strategies must exploit a company's valuable, exceptional, and costly to imitate resources and capabilities. They further argued that for a global strategy to be economically valuable it must satisfy two value criteria; it must exploit real economies of scope and it must be costly for competitors to independently imitate. The foregoing arguments imply that the economies of scope examined hereunder are the underlying motivation for firms pursuing a global strategy.

UNDERLYING ECONOMIES OF SCOPE AS MOTIVATIONS FOR GLOBAL EXPANSION
Evidently, the most vital objective which propels the pursuit of global strategies by companies is a craving to gain potential new customers for a firm's existing products or services. Research by Yoshino, Hall and Malnight (1991); indicate that firms are able to penetrate new foreign markets by distinctively discerning the

tastes and preferences of potential new overseas customers for its current products and services. Thus, the success of a global strategy in attracting new customers is hinged on the ability of those products or services to tackle the needs, wants, and preferences of customers in foreign markets in superior ways in comparison to alternatives. It implies therefore, that global firms may have to employ cost leadership and product differentiation business level strategies.
However, empirical studies by Rapoport (1994); Bounds and Davis (1995); World Bank (1999) identified problems of inadequate distribution channels, trade barriers and low purchasing power in potential foreign markets as some of the challenges firms pursuing global strategies may be confronted with. Therefore, they will have to devise appropriate ways of handling them in order to gain new customers in nondomestic markets with current products or services. According to Porter (1986) and Goshal (1987), there are several economic values globalized firms derive from access to nondomestic markets. A firm may derive reduced costs and competitive advantage from increased sales volume gained from new customer in nondomestic and domestic markets, especially in circumstances where its production processes is sensitive to economies of scale.
Globalized firms according to Bradley and Cavanaugh (1984), adopt global strategies to gain new customers in foreign markets with current products or services as a way of elongating the life cycle of their current product or service offerings. Global strategies allow firms to effectively manage their product life cycle in overseas markets by engaging their learning experiences in respect of their current products or services which they developed during a particular phase of their product life cycles in the domestic markets. A firm's economic performance can be greatly enhanced by increased volume resulting from a wider market reach.
In addition, global companies are motivated to pursue global strategies in order to access low cost factors of production, such as raw materials, labour, and technology, which is aimed at exploiting the economies of scope that is associated with it. Trager (1992) is of the view that gaining access to low cost materials is perhaps the foremost reason why firms engage in international operations. Studies have also shown that firms relocate their operations to low labour cost countries like China, Mexico and Vietnam in order to take advantage of low labour cost to enhance their competitive position and economic performance (Kraar, 1992; Reibstein and Levinson, 1991). This not withstanding, access to low labour cost can only be beneficial to a firm if the workforce of the foreign country of operation is able to produce high quality products efficiently. As globalized firms strive to exploit the economies of scope, they seek to gain low cost access to technology through strategic alliances. Research by Osborn and Baughn (1987), shows that strategic partnerships with non-Japanese firms afforded Japanese companies access to several technological competencies following the quest of these non-Japanese companies to gain access to new customers for their current products or services by operating in Japan.
Fundamentally, firms undertake foreign operations in their quest to strengthen their current core competencies and to develop new ones. Overseas operations enable firms to have a greater insight about the strengths and weaknesses of their core competencies by exposing these competencies to new competitive contexts. Undoubtedly, global firms must allow experiences in nondomestic markets rob off on their core competencies in order to enhance their economic performance. When a firm has been able to learn from its international operations and modify its usual core competencies or develop new ones, it must then leverage these newly acquired competencies across its operations in order to realise the full value. Empirical evidence suggests that a firm's disposition to learn, the transparency of alliance partners and the firm's receptiveness to learning are vital ingredients that enable a firm to learn from its global operations, modify its core competencies and develop brand new distinctive capabilities (Hamel, 1991).
Apart from the foregoing, global operations can also create opportunities for firms to leverage their traditional core competencies in new ways. According Barney and Hesterly (2012) when firms gain access to new customers for their current products or services, they often leverage their domestic core competencies in new ways; they not only extend operations across country boundaries, but also leverage their competencies across products and services in ways that would not be economically viable in their domestic market.

FINANCIAL AND POLITICAL RISKS ASSOCIATED WITH GLOBAL STRATEGIES
Doubtlessly, global centric firms stand to benefit immensely from exploiting the economies of scope discussed above. This notwithstanding, there are a number of significant risk factors that may hamper the realisation of these benefits associated with the economies of scope. In addition to the problems of implementation, both foreign country financial circumstances and political environments can absolutely undermine the benefits linked with global strategies.
Firstly, exchange rate fluctuation and inflation poses great financial threats to globalized firms. As firms begin to pursue global strategies, they may begin to expose themselves to risks connected with exchange rate fluctuations, which is not the case within domestic markets. The value of a firm's international investments can be significantly altered by fluctuations in exchange rate. The effects of such fluctuations can turn what has been a losing investment into a profitable one. Conversely, a profitable investment can be turned to a losing one due to fluctuation in exchange rate. Apart from this, the diverse rates of inflation across countries can engender very different management approaches, business strategies and accounting practices. The challenges associated with managing financial risks can appear to be overwhelming at the beginning. However, the threats of financial risks for firms pursuing global strategies has been significantly reduced following the development of money and capital markets, coupled with growing experience in undertaking business operations under high inflation economies.
Secondly, the operations of globalized firms can be considerably altered by the political environment of overseas market. A change in government regulations is capable of altering the value of a firm's resources and capabilities as such changes could heighten the strength of some environmental threats and weaken the threats of some others. As a matter of fact, the plethora of national political climates firms pursuing global strategies have to contend with constitute a significant problem for such firms as they strive to craft appropriate strategic responses to the ever changing political climates in their overseas countries of operation. It is the considered view of Rugman and Hodgets (1995), and Glynn (1993), that national political circumstances can affect the effectiveness of a firm's global strategies at the micro and macro levels. At the micro level, the value of a firm's investment can be significantly altered following broad changes in the political situation in a country. Unlike financial risks, the instruments for managing political risks associated with pursuing a global strategy are quite few. One pertinent option would be to take advantage of overseas opportunities only in countries where the political risk is relatively low. It therefore stands to reason that political constraints may hamper a firm's ability to do business in countries where the political risk is relatively high inspite of the valuable business opportunities that exists in such countries.
Table 1 below capture some of the political risk indices for determining a country's viability as a nondomestic market.

TABLE 1: INCREMENTS TO COUNTRY

Risk if Risk Factor Is:	Low	High
The Political economic environment		
1. Stability of the Political system	3	14
2. Imminent internal conflicts	0	14
3. External threats to stability	0	12
4. Degree of control of the economic system	5	9
5. Reliability of country as a trade partner	4	12
6. Constitutional guarantees	2	12
7. Effectiveness of public administration	3	12
8. Labour relations and social peace	3	15
Domestic economic conditions		
1. Size of the population	4	8
2. Per capita income	2	10
3. Economic growth over the past five years	2	7
4. Potential growth over the next three years	3	10
5. Inflation over the past two years	2	10
6. Availability of domestic capital markets to outsiders	3	7
7. Availability of high-quality local labour force	2	8
8. Possibility of employing foreign nationals	2	8
9. Availability of energy resources	2	14
10. Environmental pollution legal requirements	4	8
11. Transportation and communication infrastructure	2	14
External economic relations		
1. Import restrictions	2	10
2. Export restrictions	2	10
3. Restrictions on foreign investments	3	9
4. Freedom to set up or engage in partnerships	3	4
5. Legal protection for brands and products	3	9
6. Restriction on monetary transfers	2	8
7. Revaluation of currency in the past five years	2	7
8. Balance-of-payments situation	2	9
9. Drain on hard currency through energy imports	3	14
10. Financial standing	3	4
11. Restrictions on the exchange of local and foreign currencies	2	8

Source: Adapted from E. Dichtl and H.G. Koeglmayr (1986), Country Risk Ratings, Management Review 26 (4), pp 2-10. In Barney, J.B and Hesterly, S.W (2012), Strategic Management and Competitive Strategy; Concepts and Cases, Fourth Edition, Pearson Education Inc. New Jersey.

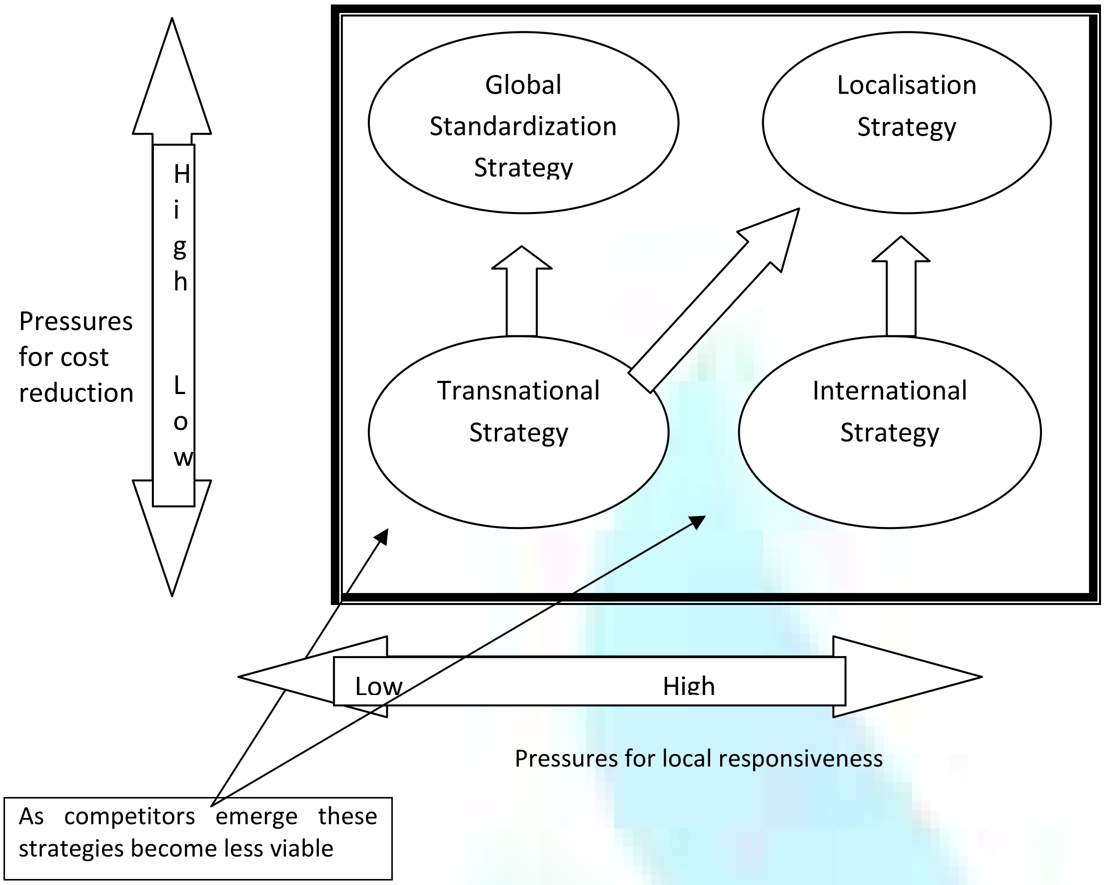
Barney and Hesterly (2012) suggest that another alternative to managing political risk is to consider each of the of political risks determinants as a point to be negotiated when the firm is entering into a new country market. They argued that globally oriented firms can sometimes use this bargaining power to negotiate conditions that reduce, or even neutralize some of the sources of political risk in a country. Nevertheless, a change of government or changes in laws can swiftly quash any negotiated agreements.

THE DYNAMICS OF CHOOSING A GLOBAL STRATEGY—DETERMINING FACTORS

In making global strategic choices, firms need to weigh the demand for local responsiveness against the pressure to exploit economies of scale for survival, growth, and profitability. When firms choose to satisfy local customer preferences it may not be possible for such firms to realise the full benefits from economies of scale and location economies. This is so, because it will not be possible for all national markets to be serviced from a single low-cost location, producing a globally standardized product, and marketing it worldwide to achieve economies of scale (Hill and Jones, 2009). Moreover, the use of differentiation strategies in order to satisfy the need for local responsiveness to the respective national market conditions significantly impairs the ability of firms to leverage on distinctive competencies on a global scale.

In view of the polarised pressures for cost reduction and local responsiveness, how do global firms strike a balance between these conflicting demands in order to make appropriate strategic choices? Bartlett and Ghoshal (1989) prescribe four main strategic postures such firms could choose from in order to achieve economies of scope— a global standardization strategy, a localisation strategy, a transnational strategy, and an international strategy. The appropriateness of each strategy will depend on the degree of pressures for cost reduction and local responsiveness. Figure 1 below shows the four global strategic choices firms can possibly implement and their changes with time.

FIGURE 4.1: FOUR BASIC STRATEGIES AND CHANGES OVER TIME



Source: Adapted from Hill and Jones (2009), *Theory of Strategic Management with Cases*, Eight Edition, Cengage Learning Academic Resource Centre

The four basic strategic choices globalized firms may select from include the following;

GLOBAL STANDARDIZATION STRATEGY

Global standardization strategy enable firms to take advantage of lower cost and location economies in production and marketing operations to improve profitability. Firms who pursue this strategy service their global market network from a few strategically located centres of production, marketing, as well as research and development. These companies strive to avoid duplication of functions and its associated costs as well as the customization of their product offerings. Instead, they prefer to produce and market a standardized product worldwide so that they derive the maximum benefits from economies of scale. And in order to gain competitive advantage, these companies are inclined to use their cost advantage to support aggressive pricing in world markets.

LOCALIZATION STRATEGY

Localization strategy seeks to increase profitability by exploiting differences in consumer tastes and preferences across national markets. This strategy is most beneficial when consumer tastes and preferences across national markets are significantly diverse, it is impracticable to offer globally standardized products, and in market conditions where cost pressures are not too intense. Product customization by companies to suit local conditions enhances the value of that product in the local market and improves profitability. However, customization limits the ability of the company to capture the cost reduction associated with mass producing a standardized product for global consumption, because it involves some duplication of functions and smaller production runs.

But, in situations where firms are able to charge premium prices for the added value and recover its costs, localisation strategy would be most appropriate. Also, localisation strategy would be preferred in circumstances where a firm's local responsiveness leads to substantial increase in local demand, resulting in the ability of the company to reduce costs through the attainment of some scale economies in the local market. Companies pursuing a localisation strategy still need to be efficient and whenever possible, capture some scale economies from their global reach (Hill and Jones, 2009).

As firms seek to achieve the economies of scope and better profitability, they continuously face a trade-off between the advantages of being responsive to local overseas market conditions and the advantages of integrating their global market network. Barney and Hesterly (2012.) is of the view that local responsiveness can help firms to be successful in addressing the local needs of overseas customers, thereby increasing demand for a firm's current products or services. Local responsiveness also provide a firm with a window to expose its traditional core competencies to new competitive situations, which enhances the likelihood that those core competencies will be improved or will be augmented by new core competencies. Nevertheless, it is vital that firms have a detailed knowledge of the local market conditions to be in good stead to leverage their traditional competencies in new ways in their nondomestic markets.

TRANSNATIONAL STRATEGY

Global standardization strategy will be most effective in market conditions where cost pressures are significant and demands for local responsiveness are not severe. Conversely, a localisation strategy will be appropriate when demands for local responsiveness is high, but cost pressures are relatively moderate or low. But in market conditions where a firm is simultaneously under pressures for cost reduction and local responsiveness, researchers have argued that under such situations, firms can simultaneously reap the benefits of both global standardization and localisation strategies by pursuing transnational strategy (Bartlett and Ghoshal, 1989). They opined that in contemporary global market conditions, competitive rivalry very strong. Therefore, to survive, companies must strive to be responsive to market demands for cost reductions and customization simultaneously. It is imperative for firms to achieve location and scale economies from global volume, transfer distinctive competencies and skills within the company and concurrently pay attention to pressures for customization in order to stay afloat.

Bartlett and Ghoshal (1989) further noted that in contemporary global corporations, distinctive competencies and skills is not strictly domiciled at the headquarters, but can evolve from any of the company's worldwide operations. According to Hill and Jones (2009), firms implementing a transnational strategy treat their global operation as an incorporated network of dispersed and interdependent resources and capabilities. In other words, transnational strategy is a business model that strives to simultaneously accomplish low costs, differentiates the product offering across geographic markets and fosters a flow of skills between different subsidiaries in the global network of operations.

INTERNATIONAL STRATEGY

The relative pressures for cost reduction and local responsiveness are the key factors a global firm would consider in deciding what global strategy to implement. However, some business environments are devoid of either market demands. Under such circumstances, implementing international strategy will be most fitting. Companies that implement international strategy offer products that serve universal needs, but because competitive rivalry is not as intense, their cost structure is not pressured for adjustments. Usually, their product development functions, such as R&D is located at the headquarters, but they establish clusters of manufacturing and marketing activities in selected countries or geographic regions to service their global market network.. They may however, undertake little localisation of product offering and marketing strategy. Ultimately, in most companies where international strategy is the business model, the head office retains tight control over marketing and product strategy.

THE DYNAMICS OF CHOOSING GLOBAL EXPANSION ENTRY STRATEGY

Corporate organisations in their bid to achieve economies of scope, location economies, and economies of scale expand their operations into nondomestic markets through several means. These overseas market entry means include; exporting, licensing, franchising, joint ventures, and wholly owned subsidiaries. The choice of entry strategy is determined by a number of strategic issues. Hills and Jones (2009) suggests the following strategic considerations:

THE NATURE OF DISTINCTIVE COMPETENCIES

When companies expand internationally in order to grow the returns from their differentiated product offerings by entering markets where indigenous competitors lack comparable products, the most advantageous entry mode for such companies will depend to some extent on the nature of their distinctive competencies. In general, distinctive competencies may be classified into technological and management know-how respectively. Technological abilities confer distinctive competencies that are susceptible to probable risks of expropriation in licensing or joint venture arrangements as means of accessing overseas markets. It is therefore advisable to set up a wholly-owned subsidiary in circumstances where proprietary technology would be a competitive resource.

However, in situations where the proprietary owner of a technological know-how could negotiate protective clauses to a joint venture agreement or licensing arrangement, these modes of entry may be considered. But, if the life span of a proprietary resource is about to run out, Hill (1992) advised that it is strategically expedient for the proprietary owner to license indigenous companies to deploy its technology as a way of elongating the economic benefits from its proprietary resource. The company may discourage competitors from venturing into developing competitive technologies by licensing its technology to potential competitors. By so doing, the competitive advantage of a firm may be strengthened as its ability to establish its technology as the dominant design in the industry is reinforced.

As for service companies, management know-how is the basis of their distinctive competencies. The risk of losing control of their brand name or trade mark to franchisees or joint venture partners is very minimal for these types of companies, because of the protection prevailing international regulations on trademarks offer to franchising firms. As a result, a lot of companies prefer franchising arrangements and to set up wholly owned subsidiaries to control franchisees within a particular country or region. The subsidiary may be by joint venture or wholly owned. However, most service companies prefer joint venture arrangements with local partners in a country or region, because of the ready political acceptance of local partners and the wealth of local knowledge they bring to bear on the business in setting up a controlling subsidiary.

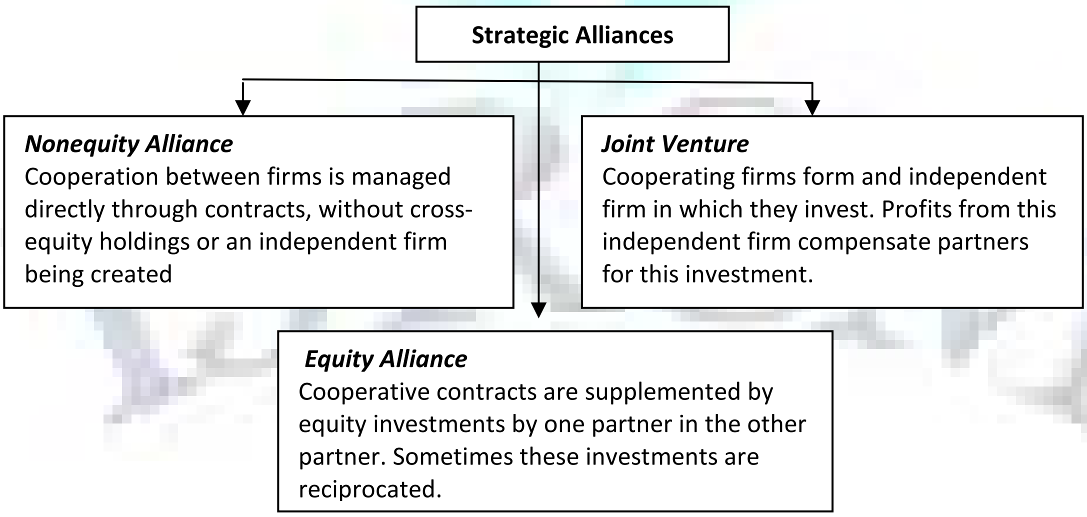
PRESSURES FOR COST REDUCTION

When firms face greater pressure for cost reductions, the most probable strategic option for them is to pursue some combinations of exporting and wholly-owned subsidiaries. A company may be able to achieve substantial location economies by manufacturing in the location where factor conditions are optimal and then exporting to the rest of the world. The company may structure its operation such that it will export the finished product to its global network of marketing subsidiaries. Firms pursuing a combination of exporting and wholly-owned subsidiaries are able to maintain tight control over marketing operations, which may be necessary to coordinate a global dispersed value chain. In addition, tight control over a local operation enables the company to use the profits generated in one market to improve its competitive position in another market. It is for this reason that companies pursuing global standardization or transnational strategies prefer to establish wholly owned subsidiaries.

COOPERATION AND STRATEGY IMPLICATIONS

The last quarter century has experienced significant growth in collaboration or strategic alliances between independent companies. During this period, several large organisations have redefined their corporate boarders through outsourcing and divestment of non-core activities and have stepped up alliance with other companies in order to extend their sphere of activities and access resources outside their immediate boundaries. Cooperation or strategic alliances are established whenever two or more independent organisations formally agree to cooperatively develop, manufacture, or sell products or services. In most cases, alliance partners are stakeholders of the same industry, and could be actual or potential competitors. There are several alluring economic reasons for strategic alliances by business organisations, especially at the international level. Barney and Hesterly (2012) broadly classified strategic alliances thus:

FIGURE 2: TYPES OF STRATEGIC ALLIANCES



Source: Barney and Hesterly (2012), *Strategic Management and Competitive Advantage Concepts and Cases*, Fourth Edition, Pearson Education Inc, New Jersey.

Strategically, cooperative agreements provide companies valuable springboards to exploit business opportunities and stretch the sphere of their operations in ways that they ordinarily would have not been able to do, except for the leeway provided by strategic alliance agreements. These alliance agreements also confers on cooperating firms much needed wherewithal to neutralise threats to the survival, growth, and profitability of cooperating companies. The strategic rationales for cooperative agreements include the following:

IT BROADENS CURRENT OPERATIONS SCOPE

Firms in a cooperative alliance are able to improve the span of their current operations by taking advantage of economies of scale. Their capacity to expand their current market with their existing products or service is made possible by cooperative agreements, resulting in reduction in per unit cost and improvement in operational profits. Doubtlessly, the firms in each industry differ in their respective resource capabilities. Therefore, disadvantaged firms in terms of specific resource capabilities could leverage on the resource strengths of alliance partners to improve their current performance. Similarly, firms engaged in strategic alliances could have the fixed costs and risks relating to new product development or processes significantly reduced, because all alliance partners share in the cost and risks involved.

IT FOSTERS A CONDUCIVE INDUSTRY COMPETITIVE CLIMATE

Product standards, which assure consumers of product quality and product integrity, are established by key industry stakeholding firms through cooperative alliances. Evidently, the survival, growth and development of any industry is consumer dependent. Therefore, cooperative agreements help to streamline the boundaries of product quality that will foster industry patronage. This is mostly pertinent in technology industries or network industries where industry prescribed standards stipulate benchmarks for technology-based products in order to engender consumer confidence and sustain patronage. In circumstances where increasing return to scale is vital for competitiveness, strategic alliances provide firms in the industry a round table to evaluate and adopt a technology that can be turned into viable products.

MARKET ENTRY AND EXIT ENHANCEMENT

Entering a new industry is quite an enormous competitive task for business organisations. It requires relevant skills, abilities, and products to make any meaningful inroad into an industry. Strategic alliances provide aspiring firms a leeway to enter a new industry by reducing or avoiding the high costs associated with developing the much needed skills, capabilities, and products to enter into a new industry. Strategic Alliances are also valuable as a means to entering into new industries or markets, even when the requisite skills in these industries are not as complex and difficult to learn. In a bid to be cost effective, firms would prefer strategic cooperation in circumstances where it is relatively cost effective to do so than to develop the vital skills and capabilities to enter a new industry or market.

Also, a strategic alliance with a prospective acquiring company enables a firm to have full economic value for its tangible assets and capabilities when it becomes strategically vital that it exits an industry or segment. An alliance motivated by this reason affords the exiting firm the opportunity to showcase the value of its assets and capabilities, which will result in the appropriate pricing of the assets; thereby facilitating the withdrawal of the firm from the industry or industry segment (Narda & Bartlett, 1990).

UNCERTAINTY MANAGEMENT

Global centric firms occasionally have to contend with managing investment uncertainty. On such occasions, strategic alliances could be used as a tool to investment uncertainty management. In order to exploit economic opportunities, firms implementing global strategy need to have the flexibility to move quickly into a particular market or industry as soon as the consequences of a strategic choice are extensively evaluated. Thus, strategic alliances enable a firm to avoid the cost involved in full scale entry of a particular market or industry by providing a window for a point of entry (Burgers, Hill & Kim, 1993). It therefore follows that firms can use a joint venture as a strategic option under conditions of uncertainty to retain the capacity to gain inroads into a market or industry to exploit available opportunities. Moreover, valuable information to evaluate full scale entry into a market may be sourced by firm through initial joint venture arrangements.

SUMMARY OF FINDINGS

It is evident that when firms expand operations into foreign markets they seek to explore economies of scope and achieve scale economies in order to survive, grow, and improve their profit performance. And to be effective at this, it is imperative that the strategic choices they make strike a balance between the pressures for cost effectiveness and the demands for overseas customer responsiveness. Of course, the intensity of these pressures significantly determines which of the four global strategic options a firm will implement.

Added to this, is that strategic alliances offer significant benefits to the cooperating partners. It offers a leeway for firms to enter and exit foreign markets, broadens their operational scope, fosters a conducive competitive industry atmosphere, as well as the provision of a strategic means for the management of investment uncertainties. Nevertheless, empirical evidences show that the failure rate for international strategic alliances is quite high. Several alliances run into serious managerial and financial troubles within a few years of their formation.

CONCLUSION

The dynamics of pursuing a global strategy involves several strategic options with their respective benefits and drawbacks. Therefore, the exigencies of the pressures for cost reduction and responsiveness to domestic customer expectations becomes the basis for global strategic choices. The strategic options available to global centric companies include global product standardization, localization, transnational, and international strategies. Firms undertake the pursuit of global strategies in order to exploit the economies of scope which the significant reduction in international barriers to trade and investment provides. This development has also provided a leeway for firms to enter into cooperative relationships with companies in their nondomestic markets for a number of strategic reasons, which includes the acquisition of new technological know-how, a means of entering and exiting foreign markets at minimal cost and risks, as well as management of uncertainty. However, studies have indicated that inspite of the tremendous benefits strategic alliances provide companies; the failure rate is quite startling.

RECOMMENDATIONS

In view of the foregoing, a number of prescriptions for strategic alliances to be successful are proffered. The success of a strategic alliance appears to be determined by three main factors—partner selection, alliance structure and the manner of alliance management. In selecting alliance partners, firms should search out for partners who are both willing and able to assist the company achieve its strategic goals, such as gaining access to new markets, sharing the costs and risks of new product development, or gaining access to critical core competencies. In addition, a good partner must align itself with the firm’s expectations from the cooperation arrangement and be most unlikely to steal the company’s technological competencies or know-how.

To ensure success, the terms and conditions of the alliance should incorporate provisions which ensures that the core competencies of the firm is well protected; by entrenching clauses that will foster ethical adherence to the cooperative agreement, such as provisions that scuttle leakage of classified technological information, agreements to swap skills and technologies coveted by alliance partners, and extracting a significant credible commitment from cooperating partners.

Further to this, alliance partners must be sensitive to the underlying rationale for the management styles of each cooperating partner firm. Since culture is a principal factor that determines management styles, it is expected that cooperating partners must endeavour to appreciate differences in managerial styles with a view to making necessary adjustments. It is equally important that partners build mutual trust and demonstrate commitment to learning from each other. The value of knowledge gained from an alliance will become more beneficial when it permeates all organisational stratums.

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