Chapter 7: Cooperative Strategy

CHAPTER SUMMARY

This chapter discusses the reasons cooperative strategies are important in the current competitive environment. The topic is examined generally as well as by market type.

Examples of various cooperative strategy types are provided on the basis of their primary strategic objectives, with strategic alliances highlighted as a frequently-used form of cooperative strategy.

Associated risks and effective management to overcome risks are presented to complete the discussion of cooperative strategies.

CHAPTER OUTLINE

Importance of Cooperative Strategy
Strategic Alliances in Slow-Cycle Markets
Strategic Alliances in Fast-Cycle Markets
Strategic Alliances in Standard-Cycle Markets
Types of Alliances and Other Cooperative Strategies
Cooperative Strategies That Enhance Differentiation or Reduce Costs
Complementary Strategic Alliances
Network Cooperative Strategies
Cooperative Strategies That Address Forces in the External Environment
Competitive Response Alliances
Uncertainty-Reducing Alliances
Competition-Reducing Cooperative Strategies
Associations and Consortia
Cooperative Strategies That Promote Growth and/or Diversification
Diversifying Strategic Alliances
Franchising
International Cooperative Strategies
Competitive Risks of Cooperative Strategies
Implementing and Managing Cooperative Strategies
Summary

KNOWLEDGE OBJECTIVES

1. Define cooperative strategies and explain why they are important in the current competitive environment.
2. Explain how the primary reasons for the use of cooperative strategies differ depending on market context (fast-cycle, slow-cycle, or standard cycle).
3. Define and discuss equity and non-equity strategic alliances.
4. Discuss the types of cooperative strategies that are formed primarily to reduce costs or increase differentiation.
5. Identify and describe cooperative strategies that help a firm to address forces in the external environment.
6. Explain the cooperative strategies that firms use primarily to foster growth.
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7. Discuss the risks associated with cooperative strategies.
8. Describe how firms can effectively implement and manage their cooperative strategies.

**LECTURE NOTES**

<table>
<thead>
<tr>
<th>See slides 1-3.</th>
<th><strong>Key Terms</strong></th>
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<tbody>
<tr>
<td></td>
<td>- <strong>Cooperative Strategy</strong> - strategy in which firms work together to achieve a shared objective.</td>
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<td></td>
<td>- <strong>Strategic Alliance</strong> - cooperative strategy in which firms combine resources and capabilities to create a competitive advantage.</td>
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**Importance of Cooperative Strategy** - This section discusses how cooperative strategies have become integral to the competitive landscape and central to the success of partnered companies.

<table>
<thead>
<tr>
<th>See slide 4.</th>
<th><strong>Key Terms</strong></th>
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<td>- <strong>Co-opetition</strong> - condition that exists when firms that have formed cooperative strategies also compete against one another in the marketplace.</td>
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| See slides 5-6. | | 1. What are some of the reasons that cooperative strategies have become important to businesses today? |
|                | | a. Most firms lack the full set of resources and capabilities needed to reach their objectives. |
|                | | b. Cooperative behavior allows partners to create value that they couldn't develop by acting independently. |
|                | | c. Aligning stakeholder interests, both inside and outside of the organization, can reduce environmental uncertainty. |
|                | | d. Alliances can provide a new source of revenue. |
|                | | e. Alliances can be a vehicle for firm growth. |
|                | | f. Alliances can enhance the speed of responding to market opportunities, technological changes, and global conditions. |
|                | | g. Alliances are a way that firms can gain new knowledge and experiences to increase competitiveness. Compare how the reasons for using cooperative strategies vary across market type. |

| See Table 7.1: Reasons for Strategic Alliances by Market Type (slide 7). | 2. Compare how the reasons for using cooperative strategies vary across market type. |
| | a. Slow-cycle markets - Strategic alliances are used to enter restricted markets or establish franchises in new markets with ease and speed. The alliance partner might better understand the new market’s conditions |
and have knowledge of and relationships with key stakeholders.

b. Fast-cycle markets - Strategic alliances between firms with excess resources and promising capabilities aid in the transition required to evolve markets and to gain rapid entry into new markets.

c. Standard-cycle markets - Strategic alliances between large firms with economies of scale are likely to combine complimentary resources/capabilities to gain market power. This type of partnership allows firms to learn new business techniques and technologies.

3. Why are slow-cycle markets becoming rare in the 21st century competitive landscape?

   a. Privatization of industries and economies
   b. Rapid expansion of the Internet’s capabilities
   c. Quick dissemination of information and speed with which advancing technologies permit quick imitation of even complex products.

### Additional Discussion Notes for Strategic Alliances by Market Type

These notes include additional materials that cover reasons for strategic alliances by market type, citing corporate examples to illustrate the concepts.

The competitive conditions of slow-cycle, fast-cycle, and standard-cycle markets impel firms to use cooperative strategies to achieve slightly different objectives (see Table 7.1 in text). Market type examples of cooperative strategic alliances follow.

**Slow-Cycle**

Access to restricted market; establish franchises in new markets; maintain stability (e.g., establishing standards).

- French steelmaker Usinor formed an equity strategic alliance with Dofasco, Canada’s second largest steel mill, to build a plant to supply car bodies for Honda, Toyota, GM, Ford, and DaimlerChrysler. Through this alliance, Usinor and Dofasco established a new franchise in the import-averse U.S. steel market.
- American AIG formed a joint venture with India to gain entry into India’s restricted insurance market.
- Petrochemical companies from Venezuela and Brazil formed a joint venture for cross investments between partners. The eventual goal is to attract other oil companies in the region (Colombia and Mexico).
### Fast-Cycle
Compress R&D time and capital; market leadership; form standards; reduce risk and uncertainty:
- Visa formed a venture capital program to scout technologies and capabilities that will affect the future of the financial services industry in order to meld and integrate the physical and the virtual financial world, where customers have the trust, convenience, protection and security in addition to the ease in performing transactions.

### Standard-Cycle
Gain market power; access to resources; economies of scale; overcome barriers; reduce risk; compress learning:
- In 1993 Lufthansa and United Airlines formed the Star Alliance. Since then, 12 other airlines have joined the Star Alliance to share resources and capabilities and to access over 700 cities in 124 countries. The goal is to combine worldwide routes and offer seamless booking and travel throughout the world.

### Types of Alliances and Other Cooperative Strategies
This section discusses two basic types of strategic alliance based on legal form and introduces other cooperative strategies as they relate to the primary strategic objectives of firms.

#### Key Terms
- **Equity Strategic Alliance** - alliance in which two or more firms own a portion of the equity in the venture they have created.
- **Joint Venture** - strategic alliance in which two or more firms create a legally independent company to share resources and capabilities to develop a competitive advantage.
- **Non-equity Strategic Alliance** - alliance in which two or more firms develop a contractual relationship to share some of their unique resources and capabilities to create a competitive advantage.

### Questions
1. How can tacit knowledge create a competitive advantage?
   - Tacit knowledge is complex knowledge that is difficult to codify. It is learned through experience and, when shared between partnering organizations, can become a source of competitive advantage.

2. How do nonequity strategic alliances differ from equity strategic alliances?
   - A separate independent company is not established.
   - The partnering firms do not take equity positions in a separate entity.
   - The relationship is less formal.
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| 6. | Name some types of nonequity strategic alliances that are increasingly being used.  
|   | a. Licensing agreements  
|   | b. Distribution agreements  
|   | c. Supply contracts  
|   | d. Outsourcing commitments  
| 7. | Discuss some common types of cooperative strategies that support different strategic objectives.  
|   | a. Refer to Figure 7.1, which lists types of cooperative strategies that support the following strategic objectives:  
|   | • Differentiation  
|   | • Low cost  
|   | • Address environmental conditions  
|   | • Growth  
|   | • Diversification  

### Additional Discussion Notes for Types of Strategic Alliances -
These notes include additional materials that cover different types of strategic alliances, with specific examples of joint ventures, equity strategic alliances, and nonequity strategic alliances.

#### Joint Ventures
- Sprint and Virgin Group’s joint venture targets 15- to 30-year-olds as customers for pay-as-you-go wireless phone service. Brand (from Virgin) and service (from Sprint).
- Sony Pictures, Warner Bros., Universal Pictures, Paramount Pictures, and Metro-Goldwyn-Mayer, each have a 20% stake in a joint venture to use the Internet to deliver feature films on demand.

#### Equity Strategic Alliance
- Foreign direct investments made by Japanese and U.S. companies in China are completed through equity strategic alliances.
- Cott Corporation, the world’s largest soft drink supplier, and J.D. Iroquois Enterprises formed an equity strategic alliance. Cott gained exclusive supply rights for Iroquois’ private label spring water products and Iroquois expanded its branded business in the West and Far East.

#### Nonequity Strategic Alliance
- *Licensing agreements, distribution agreements, supply*
contracts. For example, chemical processes tend to be improved along technology corridors; and therefore, licensing and cross licensing are well-established practices in chemical and pharmaceutical industries. Licensing and cross licensing mitigates the potential impact of overbroad patents.

- Ralph Lauren uses licensing agreements to support its Polo brand. It uses 29 domestic licensing agreements, including West Point Stevens (bedding), Reebok (casual shoes), and ICI Paints (Ralph Lauren Home Products).
- Magna International, a leading global supplier of automotive systems, components, and modules, has formed many nonequity strategic alliances with GM, Ford, Honda, DaimlerChrysler, and Toyota.
- Procter & Gamble (P&G) has formed over 120 strategic alliances: with Dana Undies to make Pampers cotton underwear; with Magla to make Mr. Clean disposable gloves and mops; with GM to distribute its Tempo car cleanup towels; and with Whirlpool to develop a new “clothes refresher” product and appliance.

### Cooperative Strategies That Enhance Differentiation or Reduce Costs

This section introduces a discussion of business level cooperative strategies used to combine resources and capabilities to improve firm performance in individual product markets and create competitive advantages that cannot be created by the individual firm.

| See slide 14. | 8. What are the two general categories of cooperative strategies used to enhance differentiation or reduce costs?
|              | a. Complementary strategic alliances
|              | b. Network cooperative strategies |

### Complementary Strategic Alliances

This section introduces the two types of complementary strategic alliances used to support differentiation and cost objectives and discusses why the benefits of such partnerships are not always balanced evenly across partnering firms.

| See slide 15. | Key Terms |
|              | - Complementary Strategic Alliance - business-level alliances in which firms share some of their resources and capabilities in complementary ways to develop competitive advantages. |

| See slide 16. | 9. What are two types of complementary strategic alliances and how do they differ?
| See Figure 7.2: Vertical and Horizontal | a. Vertical complementary strategic alliances - the partnering firms share their resources and capabilities |
Complementary Strategic Alliances (slide 17).

See slide 18.

See Additional Notes Below.

10. What affects the different opportunity levels and benefits that partnering firms are able to achieve through complementary alliances?
   a. Partners may learn at different rates.
   b. Partners may have different capabilities to leverage complementary resources.
   c. Some firms are more effective at managing alliances and deriving benefits from them.
   d. Partners may have different reputations in the marketplace, differentiating the types of actions they can legitimately take.

Additional Discussion Notes for Complementary Strategic Alliances
- These notes include additional materials that provide examples of vertical and horizontal complementary strategic alliances to illustrate the business-level cooperative strategies.

Vertical
- McDonald’s alliances with oil companies and independent store operators. With just one stop, customers can fill up their car, buy a meal, and pick up items for the home.
- Boeing’s 777 alliance is accredited with the fastest and most efficient construction of a new commercial aircraft. The partners, including UAL, brought unique resources and capabilities to a different part of the value chain.

Horizontal
- SCM is a 40-year old joint venture between Caterpillar and Mitsubishi to share resources and capabilities in order to yield products that neither firm could design and produce by itself.
- CSK Auto, Inc. (Checker Auto Parts, Shuck’s Auto Supply, Kragen Auto Parts) and Advance Auto Parts established PartsAmerica.com. The venture provides easy access to nearly $1.5 billion in inventory and 3,000 locations in all 50 states, where buyers can use either store to pick up and return parts ordered online.
### Network Cooperative Strategies

This section discusses the effective use of network cooperative strategies and the role that strategic center firms play in alliance networks.

**See slide 19.**

See Figure 7.3: A Strategic Network (slide 20).

### Key Terms

- **Network Cooperative Strategy** - cooperative strategy in which multiple firms agree to form partnerships to achieve shared objectives - also known as alliance networks.
- **Strategic Center Firm** - firm at the core of an alliance network and around which the network’s cooperative relationships revolve.

**See slide 21.**

**See slide 22.**

**See Additional Notes Below.**

**See slide 23.**

**See slide 24.**

**See slide 25.**

### 9. How can network cooperative strategies be effectively used to benefit participating firms?

- **Knowledge and information gained from multiple sources can produce more and better innovations.**
- **Network alliances can be particularly effective for geographically clustered firms.**
- **Effective social relationships and interactions among partners while sharing resources and capabilities lead to more successful network alliances.**
- **A strategic center firm that manages the complex, cooperative interactions among network partners also contributes to the effectiveness of network alliances.**
- **Gaining access to partners’ partners can open up advantages to the networking firms.**
- **Multiple collaborations increase the likelihood of additional competitive advantages and value creation.**

### 10. As the foundation for an alliance network’s structure, what are the primary tasks of a strategic center firm?

- **Strategic outsourcing with non-network members.**
- **Support of efforts to develop core competencies.**
- **Coordination and sharing of technology-based ideas and efforts.**
- **Emphasis on healthy rivalry to generate network-based competitive advantages.**

### 11. What are two types of alliance networks and how do they differ?

- **Stable alliance network**
  - Formed in mature industries in which demand is relatively constant and predictable.
  - Directed primarily toward developing products at a low cost.
- **Dynamic alliance network**
  - Used in industries characterized by
environmental uncertainty, frequent product innovations, and short product life cycles.

ii. Directed primarily toward continued development of products that are uniquely attractive to customers.

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**Additional Discussion Notes for Network Cooperative Strategies**

These notes include additional material that uses the airline industry to illustrate multiple partners in network cooperative strategies.

**Network Cooperative Strategies: Numerous Partners**

United Technologies is involved with over 100 worldwide cooperative strategies. One of these networks is the alliance formed by the firm’s Sikorsky business unit to produce the S-92 helicopter. Five firms from four continents joined with Sikorsky to form this alliance. Using its unique resources and capabilities, each partner assumed different responsibilities for the design and production of the S-92. No individual member of the alliance could have developed the design or manufactured it; a product with size and cost benefits over competing helicopters. The combination of the partners’ resources and capabilities has resulted in a competitive advantage for the alliance.

Unlike the chemical and pharmaceutical industry, some experts note that initial progress in the airline industry was hindered due to a lack of cross-licensing agreements (cf., Merges & Nelson, 1990). That is, the Wright brothers’ patent—an efficient stabilizing and steering system that enabled a multiplicity of future flying machines—significantly held back the pace of development of aircrafts and the entire airline industry. In the absence of cross-licensing strategies, incumbents (like Curtiss and even the Wright brothers) wasted huge energies and diverted their efforts simply to avoid infringement, not to advance technology. The problems caused by the Wright brothers’ initial patent were compounded as improvements and complementary patents, owned by different companies, came into existence, but compatibility was null. The situation was so serious that at the insistence of the Secretary of the Navy, during World War I, an arrangement was worked out to enable automatic cross licensing. This, like in the licensing of automobile patents, turned out to be a durable institution. By the end of World War I there were many patents on different aircraft features and rivals could easily negotiate licenses to produce state-of-the-art planes.

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**Cooperative Strategies That Address Forces in the External Environment**

This section introduces a discussion of business level cooperative strategies used to combine resources and capabilities to meet the challenges of complex and ever-changing external environments.

See slide 26.

11. What are the four types of cooperative strategies that serve to
keep firms abreast of rapid changes in their environments, and how do they differ?

a. Competitive response alliances - used to respond to competitors’ strategic attacks.

b. Uncertainty-reducing alliances - used to reduce environmental uncertainty, particularly in fast-cycle markets, new product markets, emerging economies, or new technologies.

c. Competition-reducing cooperative strategies - used to reduce competition in an industry, often through the use of collusion.

d. Associations and consortia - used to form coalitions with stakeholders to achieve common objectives.

12. Describe the two types of collusion used to reduce competition.

a. *Explicit collusion*, which is illegal in the U.S., involves direct negotiation amongst firms to establish output levels and pricing agreements to reduce industry competition.

b. *Tacit collusion*, common to highly-concentrated industries, involves several firms indirectly coordinating production and pricing decisions which impact the degree of competition faced in the industry. *Mutual forebearance* is one form of tacit collusion that occurs when firms avoid competitive attacks against rivals they face in multiple markets.

### Additional Discussion Notes for Cooperative Strategies That Address Forces in the External Environment

- These notes include additional materials that cover the competition response strategy, uncertainty-reducing strategy, and competition-reducing strategy and examples to illustrate each concept.

#### Competition Response Strategy

- FedEx responded to the success of UPS’s logistics business. FedEx formed a strategic alliance with KPMG to deliver end-to-end supply-chain solutions to large and mid-sized companies. FedEx committed its supply-chain consulting, IT systems, and transportation and logistics expertise, whereas KPMG provided its supply-chain consulting and e-integration services.

- Marathon Oil and Russia’s Yukos formed an alliance to achieve international expansion and as a response to rivals’ alliances.

#### Uncertainty Reducing Strategy

- Overcapacity, risk, uncertainty, and cost competition led Siemens and Fujitsu to form an alliance associated with their PC operations. By uniquely combining technology from Fujitsu
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with manufacturing, marketing, and logistics capabilities from Siemens, the joint venture has become Europe’s top supplier of PCs.

- GM and Toyota (#1 U.S. and Japanese automakers) formed an R&D alliance to develop and standardize alternative-power cars.
- GM, Toyota, Ford, DaimlerChrysler, and Renault joined to develop a standard for communications and entertainment equipment for automobiles.

**Competition Reducing Strategy**

- Explicit Collusion (illegal): Examples include the 1995 price-fixing scandal, in which Archer Daniels Midland executives were convicted of cooperating with competitors to fix prices. Similarly, Toys ‘R’ Us colluded with toy manufacturers to not sell popular toys to rivals, such as Costco and Sam’s Club.
- Tacit Collusion: Kellogg, General Mills, Post, and Quaker accounted for 84% of the U.S. cereal market. Some believe the high price gaps vis-à-vis rivals in this industry suggest the possibility that the dominant firms were using a tacit collusion cooperative strategy.
- Mutual Forbearance: Firms choose not to attack each other or engage in what could be destructive competition in multiple product markets.

**Cooperative Strategies That Promote Growth and/or Diversification** - This section introduces a discussion of cooperative strategies used as an attractive alternative when the firm’s primary goal is growth and/or diversification.

**Key Terms**

- **Diversifying Strategic Alliances** - corporate-level cooperative strategy in which firms share some of their resources and capabilities to diversify into new product or market areas.
- **Franchising** - cooperative strategy in which a firm uses a franchise as a contractual relationship to describe and control the sharing of its resources and capabilities with partners.
- **Franchise** - contractual agreement between two legally independent companies whereby the franchisor grants the right to the franchisee to sell the franchisor’s product or do business under its trademarks in a given location for a specified period of time.
- **Cross-Border Strategic Alliance** - international cooperative strategy in which firms with headquarters in different nations combine some of their resources and capabilities to create a competitive advantage.
- **Distributed Alliance Network** - organizational structure used to
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<tr>
<th>Network (slide 32).</th>
<th>manage complex and challenging international cooperative strategies.</th>
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<tr>
<td>See slide 28.</td>
<td>13. What types of cooperative strategies are used by firms trying to grow or diversify?</td>
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<tr>
<td>See slide 33.</td>
<td>a. Diversifying strategic alliances</td>
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<tr>
<td>See Additional Notes Below.</td>
<td>b. Franchising</td>
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<td>See slide 34.</td>
<td>c. International cooperative strategies</td>
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<td>See slide 35.</td>
<td>14. Why might cooperative strategies be an attractive alternative to mergers and acquisitions (presented in Chapter 9) to achieve growth or diversification goals?</td>
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<tr>
<td></td>
<td>a. Require fewer resource commitments</td>
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<td>b. Permit greater strategic flexibility</td>
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<td></td>
<td>c. Not as permanent</td>
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<tr>
<td>Additional Discussion Notes for Cooperative Strategies That Promote Growth and/or Diversification -</td>
<td>These notes include additional materials that illustrate diversifying strategic alliances and franchising as cooperative strategies that promote growth and/or diversification.</td>
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<tr>
<td>Diversifying Strategic Alliances</td>
<td>Boeing and Insitu formed an alliance to develop an unmanned aerial vehicle system. Boeing brings systems integration, communications technologies, and payload technologies. Insitu is designing its</td>
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**13.** What types of cooperative strategies are used by firms trying to grow or diversify?

- Diversifying strategic alliances
- Franchising
- International cooperative strategies

**14.** Why might cooperative strategies be an attractive alternative to mergers and acquisitions (presented in Chapter 9) to achieve growth or diversification goals?

- Require fewer resource commitments
- Permit greater strategic flexibility
- Not as permanent

**15.** What behaviors contribute to the successful use of franchising as a cooperative strategy?

- Partners working closely together, finding ways to strengthen the core company’s brand name.
- Franchisors developing programs to transfer knowledge and skills needed for franchisees to successfully compete at the local level.
- Franchisees providing feedback to franchisors regarding how to become more effective and efficient.
- Using the strategy in fragmented industries where no firm has a dominant share.

**16.** What are some of the reasons for the increase in use of cross-border strategic alliances?

- Multinational corporations outperform firms that operate only domestically.
- Due to limited domestic growth opportunities, firms look outside their national borders to expand business.
- Some foreign government policies require investing firms to partner with a local firm to enter their markets.
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capabilities in producing low-cost, long-endurance unmanned aerial vehicles (an earlier prototype flew 2,000 miles using 1.5 gallons of gasoline). Boeing hopes to diversify into government and commercial markets. Insitu gains “big firm” experience and access to Boeing’s technology, resources, and capabilities.

**Franchising**

Franchising is a lower-risk strategy to grow the brand. It is attractive when you don’t have the capital for growth. It is particularly attractive in fragmented industries, where a company can gain a large market share by consolidating independent companies through contractual relationships (e.g., Papa John’s, McDonald’s, Hilton International).


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**Competitive Risks of Cooperative Strategies** - This section discusses the high failure rate of cooperative strategies and the factors that have a negative impact on their success.

See slide 36.

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<td>17.</td>
<td>What are the prominent risks of cooperative strategies?</td>
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<td>a.</td>
<td>Partners may choose to act opportunistically, either when formal contracts fail to prevent the behavior or when an alliance is based on a false perception of partner trustworthiness.</td>
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<td>b.</td>
<td>Partner competencies may be misrepresented, particularly when the contributions are intangible assets.</td>
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<td>c.</td>
<td>Partner may fail to make available the complementary resources and capabilities that were committed, which often occurs in international arrangements when different interpretations of contractual terms or trust-based expectations exist.</td>
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<tr>
<td>d.</td>
<td>Partner may make investments specific to the alliance while the other partner does not.</td>
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See Figure 7.5: Managing Competitive Risks in Cooperative Strategies (slide 37).

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**Implementing and Managing Cooperative Strategies** - This section explains the value of building superior skills in effectively implementing and managing cooperative strategies.

See slide 38.

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<td>18.</td>
<td>Describe several effective ways to implement and manage cooperative strategies.</td>
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<tr>
<td>a.</td>
<td>Internalize experiences with successful cooperative strategies to gain maximum value from the knowledge learned. This involves organizing the knowledge and properly distributing it to those involved with forming</td>
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and using cooperative strategies.
b. Establish appropriate controls.
c. Assign managerial responsibility for cooperative strategy to high-level executive or team.
d. Increasing the level of trust between partners increases the likelihood of alliance success and is an efficient way to influence and control alliance partners’ behaviors.

19. Describe two methods used to manage cooperative strategies.

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<th>Description</th>
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<tr>
<td><strong>a. Cost minimization</strong></td>
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<tr>
<td>i. Relationship with partner is formalized with contracts.</td>
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<td>ii. Contracts specify how the cooperative strategy is to be monitored and how partner behavior is to be controlled.</td>
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<tr>
<td>iii. Goal is to minimize costs and prevent opportunistic behaviors by partners.</td>
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<td>iv. Costs of monitoring cooperative strategy are greater.</td>
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<td>v. Formalities tend to stifle partner efforts to gain maximum value from their participation.</td>
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<td><strong>b. Opportunity maximization</strong></td>
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<td>i. Focus is on maximizing partnership’s value-creation opportunities.</td>
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<td>ii. Informal relationships and fewer constraints allow the partners to take advantage of unexpected opportunities to learn from each other and explore additional marketplace possibilities.</td>
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<tr>
<td>iii. Partners need a high level of trust that each party will act in partnership’s best interest, which is more difficult in international situations.</td>
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**Ethical Questions** - Recognizing the need for firms to effectively interact with stakeholders during the strategic management process, all strategic management topics have an ethical dimension. A list of ethical questions appears after the Summary section of each chapter in the textbook. The topic of ethics is best covered throughout the course to emphasize its prevalence and importance. We recommend posing at least one of these questions during your class time to stimulate discussion of ethical issues relevant to the chapter material that you are covering.