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Strategic alliance management in India

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Abstract
Organizations in India are struggling to react quickly to ever-changing customer expectations and needs while struggling with shifting market needs and financial swings.. The strategy of connectivity to other people and entities is now crucial for innovation and overall success. Businesses today must propagate connections that provide resources they don't possess in house and enable them to move quickly to profit. Conducting business in the twenty-first century, therefore, requires forming partnerships and strategic alliances—both internally and externally. Strategic Management is concerned with maximizing an organization's competitive advantage. Strategic alliances can contribute to the success of a business and are beneficial when maintained with efficient management. In the current economy markets are constantly changing, making it increasingly difficult for one company to stay current on all technologies, resources, competencies, and information needed to be successful in those markets. Strategic alliances provide an option for companies to access new markets, expand geographic reach, obtain new technology, and complement skills and core competencies relatively fast. This paper explores the concept of strategic alliance and the benefits and risks and also tries to investigate why individual company should resort to strategic alliances, what are the factors affecting effectiveness of strategic alliances and identified a few cases of strategic alliance in India Strategic alliances are now considered a key source of competitive advantage for companies and have allowed them to cope with increasing organizational and technological complexities that have emerged in the global market.

Keywords: strategic, organization, competitive

Introduction
In a developing country like India, strategic alliances execute superior than other organizational forms. Strategic alliances have altered the fundamental competitive paradigm in many domestic and international markets from traditional firm-to-firm competition to more alliance-based, network-vs.-network competition. In the world of business, there has been the influx of competition, integration of markets via globalization. Firms that partake in today's business environments shape alliances not only to access necessary resources technologies and new markets but also as a means for acquiring the knowhow, procedures and intelligence that let them to build synergies and realize long-term competitive advantage. The mechanics of business have developed from monopoly to competition, strategic competition to collaborations and collaborative competition. Alliances have been strength of character on which these changes have been built in the recent years. And that this has been a driver behind the increase of strategic alliances. The most thriving firms are those which have the best control over strategic resources that are difficult to obtain on the market.

Objectives of the study
The research aims to know the types of strategic alliances and the study will try to focus on benefits and risks arising thereof with reference to case studies investigate how firms can achieve alliance success. In global markets, the alliance rate is very high. It appears necessary to identify key factors and show how firms can successfully manage them in each phase of alliance lifecycle.

Methodology
For this study, a qualitative approach was adopted, in order to explore and understand the research problem. The issues of alliance success factors are investigated through the analysis of the existing literature, focusing in particular on the last two decades.

Review of literature
Alliances play a critical role in firm survival, providing the access to critical resources that allow gaining and maintaining competitive advantages in today turbulent economic environment (Cobeña *et al*., 2017). They become a trend in global markets; more and more firms adopt cooperative strategies because the external market conditions show a lack of internal resources that they need for preserving their own competitive position in the marketplace. Competition is no more between individual firms but between alliance networks (Brondoni, 2010). Collaborative agreements allow firms to bridge internal weaknesses and cope the complexity of business environment. Companies, in order to strengthen their resources‟ endowment, enhance their competitiveness and manage environmental uncertainty, increasingly depend on external partners. For firms, strategic alliances represent an important instrument to ensure the knowledge advancement and the availability of complementary resources (Lubello *et al*., 2015). A strategic alliance is an intentional relationship between two or more firms, which remain legally

independent, involving exchange, sharing or co-development of resources, competences and capabilities (Gulati, 1995). A strategic alliance is an important source of growth and competitive advantages (Ireland *et al*., 2002; Kale & Singh, 2009)

Concept of strategic alliance

The overall concept of a strategic alliance is that it is a relationship between two companies which allows them to create more value than they can on their own. As defined in Global Business Today the term 'strategic alliances' refers to a "cooperative agreement between potential or actual competitors for the benefit of all companies concerned" Strategic alliances are becoming increasingly important to the overall strategy of companies as they can generate significant competitive advantage when they are used effectively. Strategic alliances can occur through the form of formal joint ventures or short term contractual agreements where companies agree to cooperate on particular tasks such as developing a new product. Strategic alliances can also be informal, for example a company may just seek to use the expertise of a similar company or government agency to strengthen the businesses own capacities. Thus 'A strategic alliance is a coalition of two or more organizations to achieve strategically significant goals and objectives that are mutually beneficial.'

Types of strategic alliances

Alliance may generally be categorized into the following three groups:

- **Joint Venture:** It happens when two or more companies create an independent company. When two or more firms form a legally independent firm to share their collaborative and resources to achieve competitive advantages in the market is termed as joint venture in the form of strategic alliance.
- **Equity strategic alliances:** In this type of alliance, two or more partners have different relative ownership shares (equity percentage) in new venture. Two or more firms own the shares of newly formed company differently according to their contribution in resources and capability sharing with ultimate goal of developing competitive advantages.
- **Non equity strategic alliances:** It occurs when agreements are carried out through contract rather than ownership sharing. Such contracts are often with a firm's suppliers, manufacturers, or distributors, or they may be for purpose of marketing and information sharing such as with many airlines partners. In order to attain competitive advantages, two or more companies form an alliance on a contract basis rather a separate company without taking equity shares. They share their unique capabilities and resources by means of developing informal relationship among the partners to exploit competitive advantages.

Benefits of strategic alliances

- The past decade has been an era of global evolution. Concurrent to the increase in global competition was the increase in the number of strategic alliances formed among rival firms in the same industry. The forms of strategic alliances ranges from mergers, acquisitions and joint ventures to non-equity co-operative strategies like technological licensing or marketing agreements.
- Many structural changes in manufacturing industries have become the driving forces for strategic alliances; for as growth slows, as markets shrink or become crowded, and as technological change accelerates to speeds where individual firms cannot recover initial investments, strategic alliances are used to share costs and risks, and to penetrate new markets.
- Global competition requires a simultaneous need for global-scale efficiencies, worldwide learning and local responsiveness. A single firm is unlikely to possess all the resources and strategic capabilities to achieve global competitiveness. Thus, strategic alliances are formed to acquire the desired strategic capabilities more rapidly.
- In generally we could say that the organizational objectives for implementing an alliance with another company are to obtain technology and/or manufacturing capabilities, to obtain access to specific markets, to reduce financial risk, to reduce political risk and to achieve or ensure competitive parity.

Risks of strategic alliances

The high incidence of failure of collaborative arrangements reportedly, 60 percent of alliances fail, is typically linked to the risks associated with collaborative organizational forms; risks associated not only with the lack of cooperation among partner firms, but also with performance failure despite full cooperation Some of the possible risks that might take place in a collaboration and are clearly pre-spotted in order to avoid as many as possible) from an organization are the following:

- **Lack of clarity:** When we have a common objective inside within two organizations that cooperate and the corporation leaders fail to clarify their philosophy/objectives, thus the businesses will collide and will fail
- **Infighting:** Between the senior managers of the collaborated organizations. They may battle because of their corporate strategy or because of the management philosophy differences or even for their top position in the hierarchy
- **Culture of secrecy:** When the cooperated companies are holding secrets from the other one like general information, performance, new product plans, operating issues, organizational structures, etc
- **Misaligned Incentives:** When the incentive or rewarding system is not aligned between the two cooperated companies
- **Excessive Performance:** When the managers are pushed to 'catch' impossible figures or any impossible performance. That is happening when we have two different companies which cooperate with different cultures, mentalities and 'learning schools'

  Insulation on performance: When the one organization pressure its people and the other one prevents that pressure
- **Mistrust:** Undermines any cooperation as good this cooperation could be. Especially when one company believes that the other one is trying to take advantage on

her. Either in know-how, either in learning, or in power. So, if mistrust exist in a collaboration and each company is defensive, we have a bad cooperation and the whole atmosphere becomes untrustworthy.

Recent case studies of strategic alliance in Indian context

Strategic alliance of dell with Ramco Systems (2012)

Dell has announced its strategic alliance with Ramco Systems to deliver Ramco's ERP-as-a-service on Cloud to help midmarket businesses execute cost and operational efficiencies and accelerate revenue growth. The new offering strengthens Dell's growing portfolio of Software as-a-Service (Saas) solutions that help organizations manage and grow their business. Ramco's ERP on Cloud supports businesses with wide functionalities across various industry segments, including production planning, asset management, and analytics along with regular corporate functionalities of HR, Supply Chain Management (SCM), Customer Relationship Management (CRM), and financial management. The solution is designed to ensure quick adoption and time-to-value. The Ramco ERP-as-a-service on Cloud solution allows midmarket enterprises ease of adopting evergreen, feature rich business applications with significant cost and management advantages. Additionally, the solution offers customers unique features like tools for personalizing applications to suit their requirements, architecture enabling co-existence and integration with other business applications, and compatibility on various mobility platforms.

Strategic alliance of Kotak Mahindra Bank with Scotia Bank (2012)

Kotak Mahindra Bank Ltd. announced that it has entered into a strategic alliance with Scotia bank, Canada's most international bank. The alliance will provide financial services to people immigrating to Canada and to nonresident Indians (NRIs) and People of Indian Origin (PIOs) seeking bank accounts and other banking services in India. This alliance brings together the respective strengths of each bank to enable referrals for customers in Canada and India, subject to local banking regulations. Through the alliance, select Scotia bank branches in Canada will assist NRIs seeking bank accounts in India by referring them to Kotak Mahindra Bank's My India Program – a product designed to serve the financial needs of NRIs. Kotak Mahindra Bank will offer Indians immigrating to Canada access to the Scotia bank Start Right Program for Newcomers – a program that helps new immigrants apply for a Canadian bank account and credit card prior to their departure. The Scotia bank's 'Start Right Program for Newcomers' was specifically created for Canadian Landed Immigrants during their first three years in Canada. The Program addresses the immediate banking needs of newcomers like helping set up a day-to-day bank account, apply for a Canadian credit card and access to a safety deposit box. Canadians of Indian origin - whether new to the country or already established and non-resident Indians will be able to start banking relationships back in India through the referral agreement between the Kotak Mahindra Bank and Scotia bank.

Conclusion

Strategic alliances are an increasingly significant core element in many firms' strategies to generate and sustain their competitive advantages in dynamic market environments. Alliance is like a nuptial where there may be no formal contract and no buying and selling of equity. But, there are few strictly binding provisions. It is an unfastened evolving kind of relationship. Both partners bring to an alliance a trust that they will be stronger together than they would be separately. Both judge that each has distinctive skills and functional abilities and both have to work assiduously over time to make the union flourishing. By developing strategic alliances, firms share their excess and/or complementary capabilities and resources with others and create a new entity to acquire competitive advantages. When alliances are efficiently managed, the participating firms can attain numerous benefits that eventually bring profitability. If companies utilizes proper strategic alliance, they can expand their product and service offerings substantially, without the usual corresponding investment in staff, equipment, and facilities. Strategic alliance benefits in the way of cost reduction, technology sharing, product development, market access

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