PERGAMON

Journal of World Business 37 (2002) 91–107

www.journalofworldbusiness.com

Accelerating international expansion through global alliances: a typology of cooperative strategies

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Abstract

Firms with low levels of internationalization may feel the need to speed up their international development in order to be able to compete with multinational enterprises (MNEs) of bigger size and wider scope. Global alliances are a means to achieve such an accelerated process, not only because they allow firms to gain access to several markets at the same time, but also because they make it possible to enhance their own international competitiveness through the use of their partners' resources. This paper provides a detailed illustration of the competitive uses of global alliances as a means to accelerate the international expansion of the firm. Using evidence from 11 case studies on Spanish firms, we build a typology of four cooperative strategies. One of these strategies is based on local alliances, whereas the remaining three are based on global alliances. The paper presents a detailed case study of the firm which best fits each strategy found in global alliances. The implications of each strategy for alliance management, together with the possible evolution of each of them, are also discussed. © 2002 Elsevier Science Inc. All rights reserved.

1. Introduction

According to the idea formerly suggested by authors from the University of Uppsala (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) the internationalization process of a firm has traditionally followed a gradual pattern, namely, it ends to expand abroad starting from those countries more similar to its own one in terms of socio-cultural distance. Such an expansion takes the following stages: no regular exports, exporting through local agents, sales subsidiary and production and marketing subsidiary. The logic behind that sequence is that the resource commitment with foreign markets increases with the knowledge about those markets and the experience in doing business abroad. Thus, as pointed out by the aforementioned theory, knowledge concerning local markets and management of foreign operations is a key factor which will definitely condition both the speed at which the process of international expansion will occur, and the sequence of countries that will be approached. Yet, it should be noted that by using alliances firms can avoid the need to accumulate their own experience and in this way they can take part in an internationalization process which differs significantly from the traditional one.

Firms can set up alliances with local partners—the so-called local alliances—in order to speed up their entry into a new single market. A typical local alliance is formed by a multinational enterprises (MNEs) and a local partner with the aim of combining the former's technology and products with the local knowledge and resources provided by the local firm. From the point of view of the MNE, these local alliances have above all an exploitation aim: the MNEs main objective is to exploit its proprietary assets in the foreign market, therefore, it just looks for a local partner in order to get the so much needed help to achieve such an objective (Buckley & Casson, 1976; Hennart, 1982; Teece, 1997). Thus, for example, Anderson and Gatignon (1986) show 17 entry modes, most of them strategic alliances like licensing, franchising and

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PII: S1090-9516(02)00069-X

joint ventures, through which firms can enter a new market. Taking into account the specific context of the target market, without forgetting the expanding firm's own characteristics, these authors propose a framework to identify the entry mode which allows the most suitable combination of control, risk and flexibility. Nowadays there is a considerable amount of empirical research directed to identify the most appropriate entry mode for a particular new country—see Buckley and Casson (1998) for a review.

It should be pointed out, however, that firms can alternatively choose other types of alliances to speed up their internationalization process. These alliances can take two forms: firstly, engaging into multicountry alliances, firms can simultaneously gain access to several foreign markets. The internationalization process based on these alliances is not only quicker, but also cheaper than going abroad through wholly owned subsidiaries (Dunning, 1995; Ohmae, 1989), in so far as partners can benefit from the complementarity of their international distribution networks, or rather invest jointly in new countries. Secondly, firms can also use alliances to improve their international competitiveness. Strategic alliances are not mere foreign market entry modes. According to Contractor and Lorange (1988), firms can also benefit from strategic alliances through cost reductions (economies of scale), blocking competition, having access to new technologies, learning new abilities and risk reduction. Alliances may thus be a means to reach critical resources that will ultimately allow the firm to improve its international competitiveness (Hagedoorn & Schakenraad, 1994; Hamel, Doz & Prahalad, 1989; Lei & Slocum, 1992; Lei, Slocum & Pitts, 1997; Yoshino & Rangan, 1995). Alliances pursuing these objectives tend to be more balanced than the local ones, as they involve the pooling of the key capabilities of the different partners, which are usually actual or potential competitors (Dussauge & Garrette, 1999).[4] Consequently, firms forming international alliances may not only look for an international exploitation of their competencies, but also for an exploration of new ways of improving them[5] (Madhok, 1997; Kogut & Zander, 1993, 1995).

For the purposes of this study, we will use the label "global alliances" for the two kinds of alliances different from the local ones. Thus, global alliances are those formed by firms which aim at coordinating their actions in several markets and/or at gaining access to competencies that can be exploited in different international markets. Some well known examples of these alliances are the relationships between *KLM* and *Northwest Airlines*, or *Ford* and *Mazda*. We are going to focus our analysis on global alliances. On the one hand, local alliances have been analyzed in-depth in the literature either from the MNEs perspective (Stopford & Wells, 1972; Tomlinson, 1970) or from the local firm's one (Kotable et al., 2000). On the other hand, if compared to local alliances, global ones can lead to a more effective acceleration of the internationalization of the firm. This is due to the fact that global alliances cover wider geographical areas and/or allow the partners to enhance their core capabilities.

In the literature on global alliances one can discover how research efforts have been oriented to identifying the best way of managing them, mainly in those aspects related to learning practices—for example, Hamel et al. (1989), Hamel (1991), Lei and Slocum (1991, 1992), Khanna et al. (1998), and Doz and Hamel (1998). Several researchers have also analyzed how the coordination of the set of alliances participated by a firm may influence the evolution of the structure of globalized industries, via the formation of strategic blocks (Nohria & García-Pont, 1991) or constellations (Gomes-Casseres, 1994, 1996). These are networks of allied firms that compete against other networks. The most recent research on this topic is now focusing on how cooperative and competitive relationships between firms in the same industry may lead to the formation of these blocks (García-Pont & Nohria, 1999; Gimeno & Jeong, 2001). However, not all firms may share the same interest in stabilizing and integrating their set of alliances, for instance, Doz and Hamel (1998) show how firms can benefit in different circumstances from having integrated, independent or semi-integrated alliances.

In spite of the vast amount of literature dealing with global alliances, there remains an aspect that is poorly documented, namely, the different uses that firms can make of this type of alliances in order to accelerate their international expansion. Although global alliances are especially useful for firms with a low degree of internationalization that face the challenge of global competition, there is a lack of empirical research dealing with how these firms can achieve a fast internationalization through global alliances. To bridge this gap, the present paper is aimed at providing a detailed illustration of the different uses of global alliances in order to accelerate the international expansion of the firm. Specifically, we analyze the collaborative experiences in international expansion of 11 multinational Spanish firms, showing the different cooperative strategies a firm may follow to accelerate its international expansion and how these strategies may vary as time goes by. We attach special interest to the use of data from Spanish firms because of two main reasons. Firstly, the change from economic isolation to integration in the European Union pushed many Spanish firms into a quick reaction via alliances. Secondly, the greater ability that Spanish companies have for dealing with Latin America has led to the creation of a large number of global alliances within a Latin American scope. In particular, Spanish firms have collaborated with Latin American

[4] These authors distinguish three types of alliances between competitors: complementary (those in which partners contribute with assets and skills of different nature), shared supply (alliances for one common stage in the production process) and quasi-concentration (alliances that cover the entire production process).

[5] Firms can also cooperate with international partners with the aim of looking for country-specific resources, such as skilled labor or raw materials (Dunning, 1981). For the purposes of this study, the alliances of this kind are considered as local alliances.

partners and/or European or U.S. partners that "use" Spanish companies as a bridge to enter Latin America.

To show all these aspects the paper displays the following structure. It starts with a brief section summarizing the methods used in our research study. Next, we present the cooperative strategies based on the use of global alliances, with a case study illustrating the main features of each one. After discussing our findings, we present a summary of the main implications of this study.

2. Research design

This paper has used as empirical evidence the alliances undertaken by 11 multinational Spanish firms that allowed us to carry out an in-depth study of their particular experiences. As to their characteristics, it should be underlined that they all have a wide international scope and extensive experience in the management of international alliances, added to the fact that they are leading companies in their respective industries in the Spanish market. The firms that were willing to participate in our study were the following: *Aguas de Barcelona* (*Agbar*), a leading Spanish firm in water supply and distribution; three banks: *Banco Central-Hispano* (*BCH*), *Banco Santander* (*BS*) and *Banco Popular* (*BP*);[6] *Endesa* and *Unión Fenosa*, two leading companies in the electric power industry; *Telefonica*, the Spanish national leader in telecommunication services; *Dragados y Construcciones*, one of the leading Spanish companies in construction; and finally, three industrial firms, two of which compete in the food and drink industry—*Chupa Chups* and *Freixenet*—and the third one in the consumer electronics industry—*Fagor Electrodomésticos* (*FED*), which is one of the cooperatives integrated in the *Mondragón Corporación Cooperativa* group.

When studying each firm, we analyzed their portfolio of alliances with the aim of answering the following questions:

1. What was the role that the different strategic alliances and cooperative agreements played in the internationalization process of the firm?
2. How have the different strategic alliances been managed?
3. Has the way of managing the alliances changed with time?
4. What is the overall assessment of the different degree of internationalization of the alliances that were undertaken?
5. Is there any aspect of the analyzed processes of cooperation that could have been improved?

In order to obtain information about each case, we held structured meetings with several executives from each firm—listed in Table 1—who had in some way or other been linked to the creation and follow-up of strategic alliances for internationalization. The number of people interviewed depended on what information was needed. The interviews were conducted from July 1997 to May 1998. The actual procedure[7] followed in each firm was the following:

1. A dossier on each firm was elaborated using press clippings and data published about the firm—as for instance, annual reports or previously published case studies. An attempt was made to obtain an initial approximation of both its general strategy as well as its cooperative strategy, elaborating a catalogue of the different international alliances carried out by the company.
2. An initial interview was held with a person designated by the CEO of the company in which we first completed and checked the elaborated catalogue of the different international alliances. We carried out the remainder of the interview following a semi-structured questionnaire that developed the five points mentioned above. Two members of the research team were present at every interview, each of these elaborating a written report of the proceedings. We also requested a copy of a representative contract of an alliance undertaken by the company.
3. At the end of the interview, we asked the spokesperson what other members of the firm could be interviewed in relation to its alliances. These people were subsequently interviewed following the same procedure.
4. Once the interviews with the representatives of each firm had finished, a case study was elaborated describing and analyzing the experience of the firm in the management of internationalization alliances. In each case this report was submitted to the consideration of the company, so that they could agree or disagree with it, if the latter were welcome to suggest possible modifications. All of these case studies are available from the authors upon request.

3. Building a typology of cooperative strategies

In order to identify the different cooperative strategies followed by the firms participating in our study, we analyzed to what extent they had relied on local or global alliances to accelerate their international expansion. After having analyzed our 11 case studies we found that two dimensions of global alliances highlighted in the literature, which have been already mentioned in the introduction of this

[6] The first two merged in 1999, but our study analyzes their cooperative strategies prior to this moment.

[7] This procedure was designed following the methodology used by Doz (1996) and the suggestions by Yin (1994) and Eisendhart (1989).

Table 1
List of interviewes carried out

Firm	Interviewee and position
Agbar (Sociedad General de Aguas de Barcelona)	Portabella, G. (General Manager); Vila Bassas, J. (Secretary-General)
Banco Central-Hispano	Butragueño, N. (Sub-Director Legal Department); Escámez Torres, A. (Member of the Board Directors and General Manager of Treasury, Capital Markets and International Activities); Peláez, L. (Deputy General Manager of Treasury, Capital Markets and International Activities)
Banco Popular	Fernández, J. (Sub-Director of International Activities); Sartorius, J. (Director of International Activities)
Banco Santander	Aparicio, A. (Sub-Director, Corporate Office Staff); González-Robatto, F. (Deputy General Manager of Human Resources); Luzón, F. (Member of the Boards Directors and General Manager of Strategy, Communication and Investor Relations); Martín López-Quesada, F. (General Manager of Global Banking); Rodríguez Inciarte, J. (Member of the Boards Directors and General Manager of Financial); Ruiz, J.J. (Director of Strategy); Torres Riesco, J. (Sub-Director, Corporate Office Staff); Varela Uña, J.M. (Sub-Director of Risks and Assets Management); Galdón, R. (Manager of Account, Control and Systems, Santander Investment)
Chupa Chups	Otero, M. (Director of International Activities)
Dragados	García Buey, M. (Director of International Activities); García de Herreros, E. (Legal Adviser); Gutierrez de Vera, F. (C.F.O.); Osorio, J.M. (Communication Director); Sancho Candela, R. (Director of Legal Department)
Endesa	Casado, F. (Director of Legal Department); Malaxechebarría, M. (Manager. Department of Information and Studies); Martín Baena, E. (General Manager of Production); Olmos, J. (Head of the Chairman Staff); Rodríguez, M. (General Manager of Diversification)
Fagor Electrodomésticos	Amasorrain, R. (C.F.O.); Catania, J. (C.E.O.); Elordui-z, I. (Director of International Activities); Naenen, J. (General Manager, Eurodom)
Freixenet	Bonet Ferrer, J.L. (C.E.O.); Halbach, B. (Export Director)
Telefonica	López-Van Dam, L. (Secretary-General); Panizo Arcos, F. (General Manger of Operations); Ros Martínez, F.J. (Adviser of Corporate Office Staff)
Unión Fenosa	Chacón Tohá, R.J. (Resources Director); Serrano Méndez, A. (Director of Institutional Relations)

paper—the exploitation/exploration orientation and the scope of the alliance—were essential to identify the cooperative strategy of the firms. Fig. 1 represents these two dimensions. The vertical axis measures the scope of the alliances undertaken. By scope of an alliance we mean not only the number of countries in which the partners agree to perform joint activities directly, but also those which are affected by the coordination of the international activities and strategies of the partners. Thus, some firms entered only into alliances made up of one single country—as happens with local alliances—while others entered into alliances that implied the coordination of partner's strategies at a regional or even worldwide level. The horizontal axis measures the relative importance of exploration and exploitation orientations when taking part in international alliances. At one end, we find those firms that cooperate just in order to exploit their current competencies; in these cases, partners are only necessary to bridge the gap between the firm and the foreign markets. At the other end, we find those firms that cooperate only in order to explore new ways of improving their core competencies through the combination of these competencies with those of their partners. None of the firms included in this study reached this extreme case, as all of them were to some extent interested in entering new markets with their current products and services.

In Fig. 1, we have positioned the firms participating in our study according to these two dimensions and taking into account their strategy at the moment in which the case studies were conducted. According to this positioning four cooperative strategies were identified.

- Strategy I: Local alliances. The firm only engages into alliances with local partners in order to introduce itself easily into specific markets.
- Strategy II: One key global alliance for market access. In order to expand its international scope, the firm participates in a key global alliance which implies a close coordination of all its international alliances and activities.
- Strategy III: Multiple regional-scope alliances for market access. As in the previous strategy, the firm seeks to expand its international scope through multicountry alliances, though in this case it seeks this expansion by means

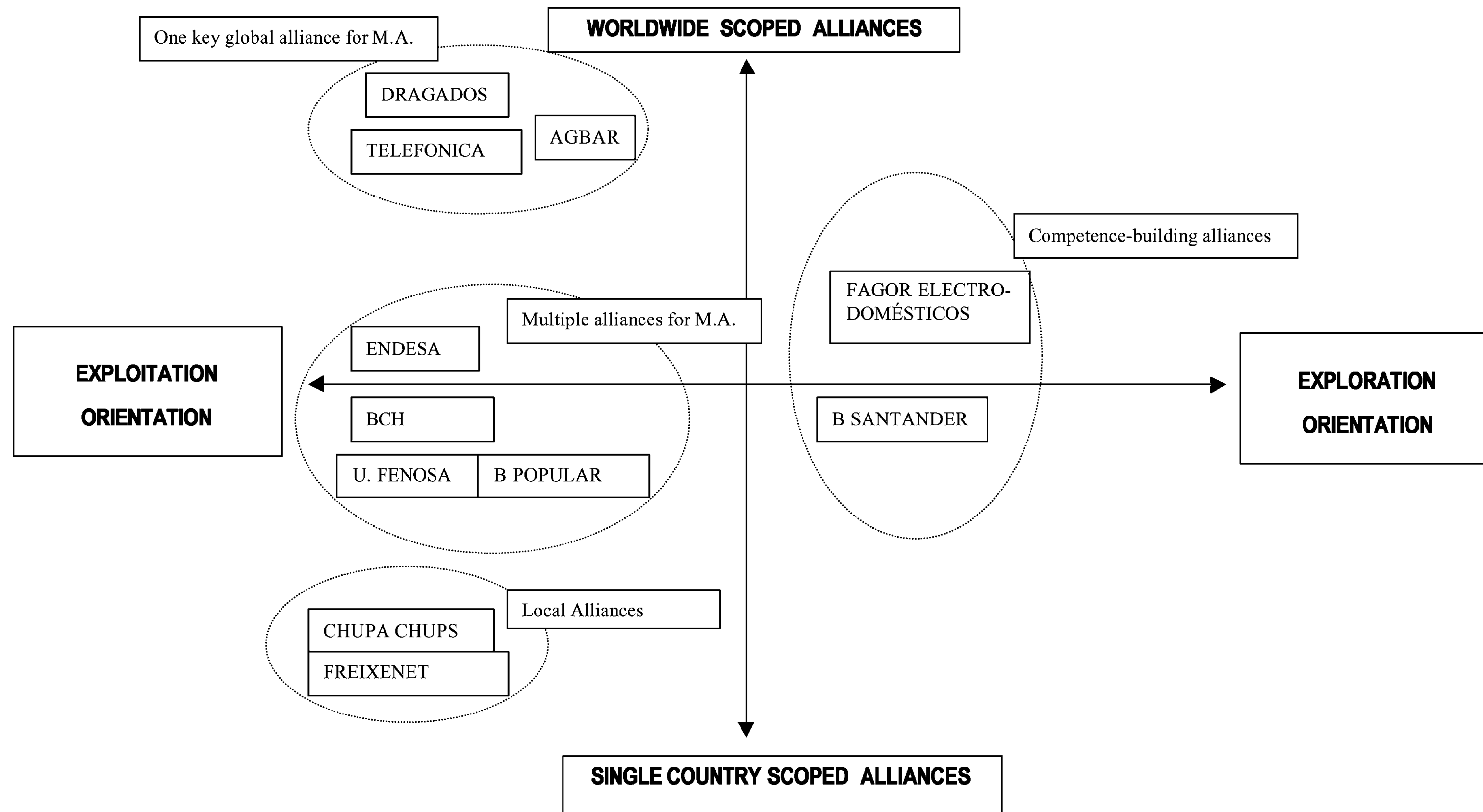

Fig. 1. Cooperative strategies.

of multiple, independent alliances, instead of through one key alliance.
- Strategy IV: Competence-building alliances.[8] The firm seeks to gain access to its partner's resources in order to match the competitive advantages of their international rivals.

The fact that the last three strategies imply the use of global alliances cannot lead us to conclude that the firms following these strategies avoid undertaking local alliances. The distinctive feature of the Strategy I is that only local alliances are used.

The local alliance strategy was followed by *Chupa Chups*—the world leader in lollipops and candies like *Smint*—and *Freixenet*, a producer of "*cava*" (a kind of sparkling wine: the Spanish equivalent of champagne). Both of them are family-owned companies whose internationalization process began before Spain became a member of the European Union. It is necessary to remark that they already had well known trademarks together with competitive products, and consequently were under no pressure to accelerate their internationalization processes. These two companies followed a country-by-country approach, basing their internationalization on exports. In some countries they had marketing alliances with local partners. They only considered productive alliances with local partners when trying to enter into emergent markets constrained by governmental barriers on exports and wholly owned subsidiaries. These alliances were set up as joint ventures with local partners who basically contributed local knowledge and political contacts.

The key global alliance for market access strategy was followed by *Agbar* and *Dragados*, as well as *Telefonica*, although the context in which each of these firms decided to follow this strategy was different. At the moment these case studies were conducted all of them had their international activities subordinated to a single key global alliance. Thus, for instance, *Agbar* had a long-lasting alliance with the French firm *Lyonnais des Eaux* (*LDE*, now *Suez*). After having collaborated successfully in Spain, both firms decided to develop all their international projects jointly. Since then, they have invested in Africa and Latin America. In turn, *Dragados* merged its international activities with *Fomento de Construcciones y Contratas* (*FCC*, a Spanish rival), but they remain as competitors within Spain. They have integrated all their international investments in construction and service activities into two jointly-owned holdings. As some of the international projects initially carried out by each of the partners were being developed through local alliances (joint ventures), the global alliance implied a tight integration of their respective international collaborative agreements and activities. Finally, as we will see in the case study, *Telefonica* has participated in several worldwide cooperative agreements with European and/or North American companies. After the unsuccessful agreements with *Unisource-ATT* and *Concert* (*BT* and *MCI*), *Telefonica* has allied itself with the North American firm *WorldCom* (*WC*)–*MCI*.

The multiple regional-scope alliances for market access strategy was followed by *BP*, *BCH* (until its merger with *BS*), *Unión Fenosa* and *Endesa*. Most of these firms have built an international infrastructure in Europe and Latin America with several, independent allies, exploiting the partner's complementary scope. Like *Endesa*, later analyzed in the case study, the two banks have followed different approaches when setting up alliances in Europe and in Latin America. Both the *BP* and *BCH* have tried to form a network of European Banks, so that each of them relies on the other partners when making transactions in their local countries. Through these alliances, the partners aimed at being present in the main European markets, but avoiding direct investments in already saturated markets where there is almost no room for new competitors. This amounts to saying that, when making global alliances, these banks have tried to attract European partners in order to be ready to compete at a European level. When allying in Latin America they seek allies that help them to develop a Latin American network. These alliances implied not only pooling the infrastructure that both partners already had in the area, but also joint investing in the region. Thus, an important difference between these alliances and those formed in Europe is that the Spanish firms were willing to do direct investments, mainly through acquisitions, in Latin America. In fact, before merging with *BS*, *BCH* followed an internationalization path in Latin America comparable to that of *Endesa*: this bank allied with a local firm—the *Luksic* group—in order to pool both firms' investments in the financial industry in this region. Finally, *Union Fenosa* did not form global alliances either in Europe or in Latin America, but it did opt for this option in Asian markets: when trying to enter there, it formed a global alliance with an economic group already established in those markets.

The competence-building alliances strategy was followed by *BS* as well as *FED*. *BS* tried to form a European network of banks, as the *BCH* and *BP* had done. Nevertheless, when participating in alliances with European partners—like the *Royal Bank of Scotland* (*RBS*)—or even with North American ones—like the *First Fidelity Bank*—it tried to learn from its partners' accumulated experience in working with different financial systems and with different degrees of development. In fact, the *BS*–*RBS* alliance is a well known case study of a mutual learning alliance (Child & Faulkner, 1998). *FED*, as the case study will illustrate, came into alliances aimed at pooling activities and knowledge in order to match the competitiveness of greater size rivals.

Once these matters have been clarified, the next step is to analyze our main findings in relation to the latter three strategies, using the *Telefonica, Endesa* and *FED* cases, respectively—as these are the cases that best fit each of the three strategies to which we have been referring.

[8] A terminology already introduced by Lei and Slocum (1992).

4. One key global alliance for market access

The aim of this option is to pool the partners' resources and capabilities in order to plan a worldwide coordinated action. Nevertheless, it should be borne in mind that when managing the different international projects, there might exist an important geographical specialization between both partners. Among the Spanish firms included in our sample, this strategy is finely exemplified by *Telefonica*, which, in spite of being the leading telecommunications company in Spain and Latin America, it is one of Spain's outstanding multinationals.

Like many other telecommunications companies, *Telefonica* has followed an international strategy which involves two different stages: on the one hand, the entry into foreign markets in order to provide traditional communications services; on the other hand, the development of global alliances aimed at providing global services and integrated solutions to corporate customers. *Telefonica*'s managers strongly believe that the first stage must be fully developed before the second one begins.

The two stages of *Telefonica*'s international strategy have been performed through alliances. Firstly, the company has formed several local alliances in Latin America opening up the possibility of taking advantage of the liberalization and privatization processes that have been carried out in this area. Such alliances were conceived to take part either in public auctions for concessions or in the purchase of state-owned companies that had been privatized. These local alliances have usually three types of partners.

- Local firms: These firms contribute mainly with local knowledge and political support. An alliance with a local partner not only maximizes the chances of winning the auction, but also guarantees a proper management in the local environment.
- Other industrial partners: Although *Telefonica* has participated in this kind of alliances alongside other telecommunication firms such as *AT&T* and *GTE*, it has always tried to be the dominant partner in these alliances. It is important to highlight, however, that *Telefonica* allied with these companies without having a previously established global alliance with them.
- Financial partners: These partners contribute with financial support and hence help to diversify risks.

In so far as they are aimed at entering one single market, these alliances are quite similar to the local alliances already described in the introduction of this paper. *Telefonica*'s international expansion through this kind of alliance started in 1989, when *ENTEL Chile* was privatized, and continued throughout the nineties in Argentina, Venezuela, Puerto Rico, Peru, Colombia and Brazil.

In a second stage of its internationalization process, *Telefonica* has also participated in global alliances to develop multicountry projects. These projects are aimed at providing global services to multinational corporations, like end-to-end multicountry communication systems. Cooperation seems to be a mandatory requirement to carry out such projects, and thus several global alliances were developed almost simultaneously in the telecommunications industry.[9] When deciding to participate in these global alliances, the higher the international scope of the firm, the higher its bargaining power. In this respect, its important presence in Latin America gives *Telefonica* the necessary bargaining power to play an important role in global alliances. In the words of one of its managers: "Telefonica would not be a global player if it were not for its presence in Latin America."

The first global alliance in which *Telefonica* took part was *Unisource*. This alliance was created in 1992 by the Dutch and Swedish operators, *PTT Telecom* and *Telia AB*, respectively. *Swiss Telecom* and *Telefonica* joined the alliance in 1993. These four European operators wanted to constitute a Pan-European network that would allow their clients to benefit from a wide range of multicountry services. Additionally, in response to demand for services in other regions, *Unisource* established an agreement with the North American firm *AT&T* in 1994, thus expanding the international scope of the alliance. After this agreement, several joint projects were carried out; in particular, *Unisource* entered into the World Partners Association, a network led by *AT&T*, and started to distribute the so-called *Worldsource* services offered by this network.

Yet, at the beginning of 1997, coinciding with a change of C.E.O. in *Telefonica* and the subsequent replacement of senior executives, the Spanish company decided to leave *Unisource*. At the same time, *Telefonica* started to negotiate a new global alliance with *BT* and *MCI*. This decision was motivated by several factors:

- *Telefonica*'s international objectives were never fully accomplished by the alliance. In so far as the main interest of *Unisource* was the European market, *Telefonica* found it impossible to develop its projects related to new direct investments in Latin America—mainly in Mexico—the development of a Pan-American network aimed at giving services to the U.S. Spanish speaking community, and the development of a fiber optic network throughout Central and South America.
- The functioning of the alliance was both complex and unsatisfactory. The partners entered the alliance at different moments in time, thus slowing down its development,

[9] Two different global alliances were formed almost at the same time in Europe: *Unisource* and *Atlas* (*France Telecom* and *Deutsche Bundespost Telekom*). Both alliances incorporated a U.S. partner later on—*AT&T* and U.S. Sprint, respectively. In 1994, *BT* and the North American firm *MCI Communications Corporation* formed a third global alliance that gave rise to a joint venture called Concert. At the same time, *BT* took 20% of the equity of *MCI*. In 1996, both companies signed a merger agreement that was to take place at the end of the nineties. A fourth global alliance developed during the first half of the same decade was *Cable & Wireless* (the North American firm *Airtouch* and the British firm *Vodafone*).

since this circumstance meant that a greater amount of time and effort had to be dedicated to the negotiation process. Such successive incorporations supposed a redefinition of the objectives of the alliance, leaving the initial ones unaccomplished.
- The new senior executives of the Spanish company did not have any previous personal relationship with their counterparts in the alliance. Due to the aforementioned problems, the new executives "did not see *Unisource* as a successful alliance able to compete with the other global alliances formed in this industry." In so far as these managers did not have any personal commitment with the other partners, it was easier for them to determine *Telefonica*'s exit from *Unisource*.[10]

Telefonica's desire to quit *Unisource* forced the new management at the beginning of 1997 to start the search for a new global alliance that would allow the company to achieve its objectives. Hence negotiations began with *BT* and the North American company *MCI*—both of them were planning their merging (see footnote 8). In March 1997, these three companies signed a cooperative agreement that was not compatible with *Unisource*. This agreement referred to three different types of activities: (I) immediate activities: those related mainly to the Latin American market; (II) optional activities: those related mainly to the European market; and (III) complementary activities: those that might be developed in the future depending not only on the successful development of the immediate and optional activities, but also on the partners' interests.

However, in November 1997, a third firm destabilized the new global alliance: the North American firm *WorldCom* took over *MCI* prior to the actual merger between *BT* and *MCI*. Within this new scenario, *Telefonica* needed to review its agreements with *BT* and *MCI*. Initially, *Telefonica*'s managers thought that it might be possible to split the initial global alliance into two different agreements: the first one with *BT* affecting the European market; and the second one with *WC–MCI*, dealing with the North and Latin American markets. In the end, *Telefonica*'s managers realized that it was necessary to choose one of the two alliances, and thus the Spanish firm focused its efforts on the latter. Through this alliance with *WC–MCI*, *Telefonica* aimed at fully exploiting its dominant position in the Latin America market.[11] The final agreement between these two companies was signed in March 1998, maintaining all the initial commitments agreed on by *Telefonica* and *BT–MCI* in April 1997 with respect to the Latin America market. Moreover, the scope of the new agreement was extended to include Europe and the United States.[12]

Three years later, almost none of the projects initially planned by both companies have come to fruition. As we have seen, the *WC–MCI/Telefonica* alliance had a troublesome start, and things simply got worse with time. Different sources state that *WC*s managers showed a lack of commitment to the alliance from the very beginning: they just decided to maintain an alliance they had found already settled when *WC* bought *MCI*.[13] In addition, none of them had a background of collaborative culture. On the one hand, *WC* has traditionally followed a go-it-alone strategy, basing its growth on direct investments and acquisitions, but never on alliances. On the other hand, *Telefonica*—which was the most firmly convinced partner with respect to the benefits of collaboration, as demonstrated through its alliances with *Unisource* and *BT–MCI*—had never fully developed a global alliance. Firstly, it quitted *Unisource* and then it did not have time to carry out any particular project with *BT* and *MCI* before the latter was bought by *WC*. Thus, it seems that having a wide background of collaborative experience had not been enough to guarantee the success of *Telefonica's* latest global alliances. However, the company did not try to exploit and capitalize its accrued alliance management experience until the end of 1997, when the figure of the alliance manager was introduced.

5. Multiple regional-scope alliances for market access

As in the previous strategy, global alliances play a key role in the international activities of the firms that follow this strategy. But instead of imposing a tight integration of all their alliances, these firms display several independent alliances, some of these being global. Another feature of this strategy is that these alliances are aimed at seeking not only market access, but also political support. *Endesa* is the firm that best fits into this strategy.

Although *Endesa* was created in 1944, its international activities started in 1991 after a restructuring process designed to transform *Endesa* into a national champion operating in the different stages of the electricity industry. *Endesa* has followed a similar internationalization process to the one undergone by *Telefonica*, although a number of key

[10] *Telefonica*'s exit from *Unisource* implied a considerable economic loss for the Spanish company, in so far as it was obliged to indemnify its allies in the global alliance. A few months later, *AT&T* left the alliance and the remaining partners decided to break up the alliance and sell off the partnership's assets.

[11] The contractual arrangement of the alliance recognized *Telefonica*'s right to break its agreements with *BT* and *MCI* if a third company took over the latter. However, breaking with *BT* implied the risk of *BT* becoming a direct competitor of *Telefonica* in the Spanish market.

[12] An important feature of this strategy is that not all of the firm's allies need to take part in the key global alliance. If they remain subordinate to the key global alliance, old alliances with third partners may be maintained and even new alliances may be formed. For instance, in 1997 *Telefonica* and *Portugal Telecom* agreed to cooperate in Portugal and Brazil. This alliance, however, always remained subordinated to *Telefonica's* key global alliance.

[13] See "A failure to communicate," *Business Week*, October 11, 1999.

differences can be traced down. As *Telefonica*, *Endesa* has based its international expansion on strategic alliances. Like the telecommunications company, it has also taken part in two different types of alliances: local alliances aimed at participating in auctions for concessions or privatized companies, consequently aimed at entering one single market; and global alliances with international partners. Its international expansion has focused on two geographical areas: Latin America—most of the aforementioned local alliances were located in this area—and Europe. The Spanish firm's objectives when internationalizing into these two areas were quite different: while in Latin America *Endesa* has tried to exploit the experience and know-how previously accrued in Spain—in the words of *Endesa*'s managers "our aim is to become the leading electricity firm in Latin America"—in Europe it has tried to prepare itself for a new scenario of competition.

With respect to *Endesa*'s local alliances, these are very similar to those formed by *Telefonica*, in so far as they pursue exactly the same goal. Thus, local, industrial and financial partners are also present in *Endesa*'s local alliances. However, there are some differential features which are worth highlighting. Firstly, the industrial partners in these alliances were sometimes *Endesa*'s allies in its global alliances—like *Electricité de France* (*EDF*) or *Enersis*. This is a major difference with respect to *Telefonica*, in so far as the telecommunications company had already expanded into Latin America before entering global alliances. A second difference is that *Endesa*'s industrial partners are sometimes its equipment suppliers. Among other countries, *Endesa*'s local alliances won concessions in Argentina, Colombia, Central America, Brazil, Peru, the Dominican Republic, Morocco and Portugal.

The involvement of the company in these local projects has increased progressively since the first one, which took place in 1991. From that moment, *Endesa* has taken on an increasingly active role in the management of these projects and it has acquired some local knowledge in the area. As its managers point out "at this moment we already possess the local knowledge and expertise that will enable us to undertake new projects in this region without the help of local partners."

In addition to local alliances, *Endesa* has also carried out four non-exclusive global alliances (with different success). Three of these alliances were carried out with European partners—the French *EDF*, the German firm *RWE* and the British firm *National Power* (*NP*)—while the fourth one was carried out with the Chilean firm *Enersis*. The alliances with *EDF* and *RWE* were established almost simultaneously in 1991, when the internationalization process of *Endesa* began. Both were aimed at co-opting firms that in the future could become direct competitors in the European common energy market. These partners could also provide great resources to enter into third countries.

Both alliances started as framework agreements aimed at the future joint development of projects. Both were reinforced by equity exchanges between the partners—bilateral exchange in the case of *RWE* and unilateral in the case of *EDF*. During the early nineties, *Endesa* and *EDF* carried out several joint projects, not only in France and Spain, but also in Portugal and Argentina. Nevertheless, the development of joint projects slowed down after 1992. The alliance with *RWE*, on the other hand, did not give rise to any joint projects. Both facts were motivated by the same reason: Latin America—the highest-priority geographical area for *Endesa*—was not an important target market for the French and German companies. Although this region was initially of interest to *EDF*, a changeover in the senior management team implied a change in the company's strategy in which Latin America was no longer considered a target area in the internationalization process.

The *Endesa–NP* alliance has developed very differently. First of all, it did not start out as a framework agreement. In fact, the relationship of these companies began when both of them agreed to carry out a specific project in Portugal in 1992. As *Endesa* already had a cooperative agreement with *EDF* at that time, the French company was also included in the project, the local firm *Electricidade do Portugal* (*EDP*) was the fourth partner in the alliance. A joint venture was formed in order to carry out the project: *EDF* and *EDP* were passive partners, while *Endesa* and *NP* were the dominant ones because the Spanish and British firms took on the management of the joint venture and had majority stakes in its equity. *Endesa*'s managers describe this project as "a total success, trust between both partners being one of the most valuable assets for the Spanish company." After this particular project, *Endesa* and *NP* also collaborated in *Elcogas* (a project developed in Spain). Although *NP* has contacted *Endesa* in order to jointly develop similar projects in third countries—like Pakistan or Turkey—these are geographical areas of no interest to *Endesa*; likewise, *NP* is not interested in expanding into Latin America. Due to this difference with respect to geographical areas of interest, both companies have not collaborated on new projects.

Despite the successful projects developed with *EDF* and *NP* in the past, none of *Endesa*'s European global alliances have known a continuation. At the present moment, all of its European partners (*EDF*, *RWE* and *NP*) are actual or potential partners of *Endesa*'s competitors in the Spanish market. Due to this lack of European strategic allies, *Endesa* attempted a merger with the Spanish firm *Iberdrola* in 2000. However, this merger process did not take place due to antitrust concerns.

The *Endesa–Enersis* alliance was an important step in *Endesa*'s path to becoming the leader in the energy market in South America. *Enersis* is the matrix of a group that, apart from being the leader in the energy market in Chile, also enjoys an important presence in Argentina, Peru, Brazil and Colombia. In 1997, after having collaborated on several projects, both companies signed an ambitious alliance in which they committed themselves to coordinating their actions and investments in South America. *Endesa* took a 32% stake in the equity of *Enersis*, which assured it control

over the governing boards. However, the senior managers of *Enersis* were to remain in their posts for at least 5 years after the sign of the alliance. The alliance encountered difficulties, though, as certain institutional investors of *Enersis* and political parties did not support the terms of the operation. As a consequence, the CEO of *Enersis* had to resign, and a renegotiation process was opened. Finally, in 1999 *Endesa* opted for raising its stake in *Enersis*' equity to 64% in order to guarantee the future of the alliance. *Endesa* and *Enersis* have integrated their international activities in Latin America, carrying out important projects in different countries such as Argentina, Brazil, Chile and Colombia. As a consequence, *Endesa* has become the leading multinational firm in the electricity industry in Latin America.

6. Competence-building alliances

Alliances used by firms following this strategy are characterized by their orientation toward enhancing the international competitiveness of the firm's products. We will use the term "competence-building alliances" to refer to those alliances used by firms whose main aim is to match the competitive advantages of their competitors. This introduces an important difference with respect to the two previous cases, since their strategies were aimed at gaining easy entry into new countries. A firm that nicely fits this pattern is *Fagor Electrodomésticos*, which, as previously mentioned, is in the consumer electronics industry and it is one of the cooperatives integrated in the *Mondragón Corporación Cooperativa* group.

During the 1980s *FED* had to face important changes in its national and international environment, such as:

- a significant decline in the Spanish local consumer electronics market;
- the entrance of Spain into the EC (nowadays European Union) in 1986. This implied an increase in the competition met by *FED* in the Spanish market.[14] The high degree of rivalry that took place in the Spanish market due to the entrance of new competitors forced a restructuring process in which all of *FED*s Spanish competitors closed their manufacturing plants or were taken over by foreign firms. *FED* is thus the only Spanish firm that competes in the consumer electronics industry at the moment;
- a concentration phenomena in the industry, not only in Europe, but all over the world. American and European multinationals were acquiring different firms outside their areas of influence, and these huge multinationals were becoming the main agents in the market. In fact, size was imposing itself as a key variable in order to succeed in the market.

In this new scenario, *FED*, which had traditionally focused on its local market, faced the need to design and develop an international expansion beyond exports. In the words of one of *FED*s managers "internationalization was probably the only way not just to be competitive, but to survive indeed." As a first step, *FED* redesigned its products and manufacturing processes in order to look for basic products that could easily be adapted to different local requirements. With these products, *FED* was to expand through those regions where European products had a certain degree of influence: South American, North African and West European countries. Due to the difficulties in accessing these markets (related to the lack of local market knowledge and to legal and/or political barriers), the only way to expand into these areas was through the establishment of local alliances.

Secondly, *FED* needed to solve its problems with respect to size and technology gaps: although it was large enough to successfully compete in the Spanish market, it was not possible for *FED* to survive in an international market that was becoming global. As mentioned above, a feature of this market was a progressively lower number of larger firms exploiting greater economies of scale and technological resources. As a merger or acquisition process was totally impossible,[15] the only available option for becoming competitive was to reach a collaborative agreement with other/s firm/s that faced the same problems. A strategic alliance would allow *FED* and its partner/s to reach the scale economies of large multinationals—reducing their manufacturing costs—as well as to bridge their technology gaps. *FED* established two alliances of this type.

In 1990 *FED* and the French firm *Thomson* set up the so-called *Eurodom* alliance as a European Group of Economic Interest. *Eurodom*'s initial aim was to integrate the purchasing activities of both partners, thus achieving great bargaining power with respect to suppliers as well as profiting from economies of scale. In 1992, the British firm *General Domestic Appliances* (*GDA*) joined the alliance. At the beginning of 1993, a fourth partner entered the alliance: the Italian firm *Ocean*. These European firms were facing the same situation in their local markets that *FED* was coping with in Spain. Furthermore, the partners that initially formed the alliance had a complementary geographical scope, hence there was no direct rivalry between them. However, *Ocean*'s entry in the alliance changed this situation, in so far as *FED* and *Ocean* were direct competitors in some markets. This rivalry made particularly difficult the flow of information between partners, affecting also the appropriate development of the collaboration agreement. One year after its entry in *Eurodom*, *Ocean* took over *Thomson* and both left the alliance. In the words of *FED*s managers "Ocean was a partner that had a hidden agenda." Since then, *Eurodom* has only two partners, *FED* and *GDA*.

[14] Until 1986, this market maintained high taxes on all imports.

[15] On the one hand, *FED* was too small to acquire an international firm, and on the other hand, *FED*s particular ownership structure (it is a cooperative) made it impossible for the Spanish firm to be acquired by a multinational.

When referring to the activities carried out by *Eurodom*, it is necessary to highlight the gradual development of the alliance. This development has taken place through a sequence of stages, each one entailing increasing commitments by the partners and requiring higher levels of mutual trust. At an initial stage, the alliance only performed purchasing activities. Subsequently, joint activities were undertaken—always in a progressive sequence—in R&D, benchmarking and preferential cross-sourcing. Whatever the activities being carried out, an implicit commitment of no direct competition in each partner's local market existed in order to guarantee the stability of the alliance.

The joint development of R&D activities has allowed both partners not only to share the risk of these activities, but also to avoid a duplication of efforts and costs. Additionally, *FED*s managers emphasize the importance of the "*fresh approaches*" derived from the collaboration between skilled workers and technicians coming from different corporate and national cultures. Benchmarking activities imply comparing the manufacturing and marketing activities and costs of both partners in order to identify (and imitate) the "best practices" of each. Benchmarking activities hence allow each partner to improve the efficiency of the production processes and/or the quality of the final products. This activity thus requires the sharing of confidential information from both firms. Finally, preferential cross-sourcing activities take place when one of the allies buys final products from the other in order to place them in the former's local market using its own trademark and marketing support. Currently, *FED* and *GDA* are considering the rationalization of their production processes in order to achieve greater economies of scale in manufacturing. This rationalization implies that each firm would specialize in the manufacturing of some products that the other partner would not manufacture any more. As a consequence, each partner will focus its production on only some of the products marketed by both of them.

A second global alliance participated in by *FED* is the joint venture set up with the German firm *Vaillant* in 1996. This 50/50 joint venture was aimed at manufacturing all the water heaters both parent firms needed to fulfil their demand, thus achieving higher economies of scale. Each of the partners carries out the distribution and marketing of the final product in the European markets in an independent way, using its own trade mark. In so far as there is no geographical specialization, the two parent firms may compete directly in the same market when selling the final product. Although the achievement of manufacturing economies of scale was one of the most important goals of this joint venture, there was a second one, namely, mutual learning. Both companies went through a benchmarking process similar to that carried out in *Eurodom*. Accordingly, during the negotiation stage, the two of them shared information about their manufacturing processes in order to design and develop the most efficient production strategy. At this moment, this joint venture represents the biggest manufacturing plant in the European water heaters industry. The alliance has allowed *Vaillant* to be the leading firm in Europe for domestic heating and hot water, and simultaneously it has allowed *FED* to be the only Spanish firm that keeps manufacturing water heaters.

7. Discussion

In this article, we have made a special effort to highlight the different strategies available to a firm when it tries to speed up its internationalization process. As the three extended case studies have shown, the firms that undertook each strategy pursued different goals and obtained different benefits.

In this section we would like to draw attention to some aspects related to the implementation and evolution of cooperative strategies. However, we would like to discuss first the relationship between each cooperative strategy and the industry in which partners are competing. Initially, it seems that a particular strategy may be suitable for a firm depending on the kind of industry it is competing in. Specifically, the international scope of the industry (Prahalad & Doz, 1987) clearly affects the type of strategy followed by firms in that industry. Consequently, firms in global industries have higher incentives to enter into worldwide alliances, as these industries show greater synergies for global, coordinated activity. In turn, firms in multidomestic industries have fewer incentives to enter into global alliances, as benefits derived from multicountry coordination are lower. However, this relationship between the type of industry and the strategy followed by firms inside the industry reveals itself as something flexible: our case studies clearly show that different firms competing within the same industry (such as banking or utility firms) have followed different strategies. This should be taken as a hint that it is not the industry itself the one which entirely guides the cooperative strategy a firm should follow. In fact the most successful firm following the key global alliance for market access strategy—in terms of duration of the relationship and the number of projects carried out—has been *Agbar*, a utility firm.

Judging by the evidence collected in our case studies, our next step will be to highlight the main challenges firms have to face when implementing each strategy, as well as the potential evolution that each one may undergo.

7.1. Implementing the strategies

The main findings from the three extended case studies are summarized in Table 2, showing the goals pursued by the different firms undertaking each strategy, the type of alliances in which they have participated, and the benefits obtained. In addition, the table presents an outline of the measures these firms could have put into practice in order to have made the most of each strategy, as it is clear that in all

Table 2
Summary of the main findings of our case studies

	Telefonica (one key global alliance for market access)	Endesa (multiple alliances for market access)	Fagor (competence-building alliances)
Benefits sought	Providing global services to multinational corporations	Forming a network of regional allies that help the firm to increase its geographical scope	Being able to compete against bigger, international firms
Type of alliances formed	Worldwide scope alliances and local alliances in Latin America	Consortia for winning auctions and global alliances	Quasi-concentration and competence-building alliances as well as local alliances
Benefits obtained	A leadership position in Latin America through its local alliances	A leadership position in Latin America through its local and global alliances	An improvement in its international competitiveness
Measures to successfully implement the strategy	Developing the alliance in sequential stages of increasing complexity Developing skills in global alliance management	Developing at least one successful alliance per region Changing the strategic priorities in order to retain a partner	Avoiding the entrance of new partners in an already functioning competence-building alliance Finding partners of similar size

of the previously analyzed cases there was room for improvement in the implementation of the cooperative strategy. To some extent, the same could be said with respect to the remaining firms examined in our study.

In a general sense, it seems obvious that the alliances carried out by the firms participating in our study could benefit from standard alliance management practices. But on closer inspection we found that each cooperative strategy has its own specific requirements in the management of alliances, as each alliance's evolution brings about a different impact on the firm competitiveness. For instance, keeping an alliance alive is not so important when having an strategy based on local alliances as when having a key global alliance strategy. As a consequence, the management of alliances should be contingent to the cooperative strategy followed by each firm. Different implications for alliance management have arisen from our case studies, each of them being critical for a particular cooperative strategy.

Difficulties in putting into practice the key global alliance for market access strategy are related to its huge complexity, which, in turn, derives from the wide range of international activities involved in the alliance. These problems are worsened when partners do not come from a background of previous cooperative relationships. The lack of this background could derive in trust levels not being high enough to support the alliance. This is the case of *Telefonica*, which participated in three alliances of this kind with the aim of providing end-to-end communication services to huge multinational companies, but all of them resulted in failure. To provide these services effectively, partners have to be able to coordinate a lot of marketing activities and operations worldwide, which involves controling multiple dispersed decisions from one day to the next, something particularly difficult when partners have previous go-it-alone experience. In particular, this problem arose in the *Telefonica–WC* alliance. *Telefonica* entered into this type of agreement on the basis of its successful expansion into Latin America. Although this expansion was developed through alliances, these were local alliances in which *Telefonica* was the dominant partner. So, it may be understood as a particular type of go-it-alone strategy—without global partners. *WC*, on the other hand, had a former trajectory of successful takeovers, but no experience in collaborating activities. Within this context, partners found it difficult to work together.

Attention should also be paid to a second problem which usually arises in this strategy: each time a partner comes to a decision without taking into account the other partner's interests, there springs a lack of commitment to the alliance. Due to the worldwide scope of the alliance, such a situation is more common than what would be desirable. As a consequence it brings about a side effect, since it aggravates the problem of lack of trust mentioned above: the partner's conflicting goals in several areas may even cause a decrease in the initial and already poor levels of trust.

But if these global alliances are to work, those firms that have previously developed an international infrastructure on their own should make an effort to forget their go-it-alone culture as soon as possible, and in turn they should concentrate their energy in building enough trust to support the alliance. *Agbar*—the firm from our sample that followed this strategy successfully—encountered fewer problems than *Telefonica*, as Agbar's key global alliance evolved from a former local alliance in Spain. It seems that the best approach to implement this strategy is to build the alliance gradually, starting with simpler projects that are easy to put in practice. While carrying out these projects partners generate enough levels of trust, and may devote time to the solution of potential problems having to do mainly with conflicting interests.

This conclusion is consistent with the evidence coming from the alliances involving airline companies, which are contributing to the formation of worldwide alliances of air carriers, like the Wings Alliance or Oneworld. These alliances are formed gradually, according to sequential processes, whereby firms try to capitalize previous levels of trust and to avoid the entrance of new partners that have goals conflicting with those of the founding partners (Gimeno & Jeong, 2001). Although the functioning of these key airline alliances cannot be exactly described as smooth,[16] it is nevertheless true that they increase the profitability of a firm's air routes.

In the multiple global alliances for market access strategy, the key factor is to have at least one successful alliance in each region where an ally is needed. As the *Endesa* case shows, firms may choose one ally per region from the very beginning or else they may have several tries with different partners. When choosing a single ally, the firm has to spend resources on keeping the alliance on track, because a failing alliance cannot be easily replaced by another, as the other potential partners may be developing their own alliances. The *Endesa–Enersis* case is an example in point. Despite the numerous difficulties faced by both partners, they did their best to remain within the alliance. In *Endesa*'s opinion, *Enersis* was the most suitable partner for Latin America and both firms had joint projects that were being carried out.

Yet this strategy caused *Endesa* important problems in Europe, where the company had started several independent global alliances with European partners. Each alliance had been an option having in mind a single energy market in Europe. Initially, the alliances were compatible in so far as each firm faced no rivalry in its own local market. However, competition between some of them could possibly arise in the coming years as they might take part in auctions for firms being privatized or in a liberalized European market. A perspective that certainly was not helpful when it came to maintain the portfolio of future allies. For this reason, *Endesa* had the opportunity to identify which alliance might have more potential success among its European alliances and consequently set to concentrate all its efforts on the selected one. Relationships were started with *EDF*, *RWE* and *NP*. Although successful cooperative projects were carried out with *NP* and above all, with *EDF*, at some point the partners stopped setting up new projects. The justifiable reason behind this decision was that whereas *Endesa* was particularly interested in expanding into Latin America, the British and French firms showed an inclination for investing in other geographical areas. In spite of it, all these alliances may be considered lost opportunities, in so much as at the end of the process none of the global allies became a real European ally. In fact all of them have recently tried to enter into the Spanish market by forming alliances or trying to acquire some of *Endesa*'s Spanish competitors. It can thus be concluded that if it is important for a firm to have a good regional ally, the real challenge is to be able to quickly identify, among the possible options, which one will qualify as the best bet. Once this has been accomplished, the next step is to invest in the relationship, and try to maintain the necessary adaptability to alter even one's own priorities on behalf of the alliance.

In the competence-building strategy, time counts as a critical variable, not because of the potential lack of available partners, but rather because a gradual development of alliances protect firms against the hazards of opportunism. When forming competence-building alliances, firms have to share strategic information in order to achieve the goals of the alliance. The best way to deal with these alliances is through a gradual development, a fact that has been soundly proved by previous research (Ariño & de la Torre, 1998; Doz, 1996; Ring & Van de Ven, 1994). In such cases, trust formation as well as relation-specific investments during initial stages of the alliance help to support an increase of the partners' commitment. Our case study reveals which problems may appear when new partners enter into an already functioning competence-building alliance. In the example of the *Eurodom* alliance, the last firm to join in (*Ocean*) had the opportunity of getting valuable information with respect to a partner (*Thomson*), and used it to take this partner over. As *Ocean* had not made previous commitments with the alliance, it did not face important losses when leaving it—there were no negotiated penalties for leaving the alliance. Thus, in the end *FED* lost a valuable ally (*Thomson*) who had agreed to jointly invest with the Spanish firm in third countries.

7.2. The evolution of cooperative strategies

Cooperative strategies may change with time. This is why we would like to make it clear that, in this paper, the status of each company refers exactly to the very moment these case studies were conducted. Moreover, it should be noted that some of the surveyed firms have changed their cooperative strategy during their internationalization process. Thus, for instance, *Freixenet* and *Chupa Chups* followed the traditional alliances strategy, just as *Unión Fenosa*, *Dragados* and *Telefonica*, which also adopted this approach at the beginning of their international expansion. However, once they felt the need to accelerate their international presence, they started to look for global alliances that would lead them to market access. In other words, when the company has an incomplete international infrastructure, a possible evolution of the local alliances strategy is to form either integrated or independent, global alliances.

As for the remaining firms, they started off using global alliances in their initial international efforts, although the logic behind the formation of these alliances was not always the same. In the case of *BCH*, *BP* and *Endesa*, the formation of global alliances seemed to be a conservative means of

[16] See for instance the article "Huddling together. The loneliness of the long-distance carriers," *The Economist*, March 8, 2001.

accelerating the international expansion: having several global allies meant that these firms assumed less risks in the process, with the added advantage of gaining knowledge and contacts specific to foreign markets. In some cases, the strategy of multiple regional-scope alliances could be regarded as a transition point in the adoption of the key global alliance strategy. The logic underlying a worldwide scope in global alliances was postulated by Gomes-Casseres (1994), who claimed that independent alliances imply discarding the search for global coordination among the network of allies, which means in short that the value of the set of alliances a company has is never greater than its sum. This transition will be effective if synergies exist in association with this integration.

Nevertheless, integration is not an easy task because it implies the selection of the best partners followed by their later integration in a competitive coalition. The case of *Endesa* illustrates these problems beautifully. *BCH* faced a similar situation: this bank was a pioneer in the formation of the so-called *Europartners*, an alliance of European banks aimed at competing jointly in Europe. Despite the fact that the alliance did not achieve its objectives, the *BCH* is now trying hard (after having merged with *BS*) to integrate and develop their joint portfolio of alliances. However, this objective is far from being attained. After the merger, the *BSCH* had a wide portfolio of alliances with European partners: *RBS* (U.K.), *San Paolo IMI* (Italy), *Société Générale* (*SG*) (France), *BCP* (Portugal) and *Commerzbank* (Germany). The first two firms were *BS*'s partners, while the remaining three were *BCH*s allies. After a readjustment of the portfolio of alliances to the new scenario, only those with *RBS* and *SG* have been reinforced, while those with the Italian and Portuguese firms have been broken. Finally, the alliance with *Commerzbank* is still alive, although no new projects have been developed since the merger of *BS* and *BCH*.

In the case of *Agbar*, the key global alliance with *LDE* was a consequence of a previous local alliance with the French firm, in which *Agbar* stood for the local partner. As the firms have developed high levels of trust, knowledge sharing routines and other relational assets (what Dyer & Singh, 1998 have called sources of relational rents), they have decided to take advantage of them in Latin America and Africa. The remaining cases of this strategy did not have as solid a basis as that of *Agbar–LDE*, and in fact they did develop more quickly. To some extent, these alliances were faced a very common problem: time compression diseconomies in trust formation (Dyer & Singh, 1998; Ring, 2000), but as the evidence shown in *Telefonica*'s case makes it clear firms do not always commit the necessary resources to keep the alliance going. Even more, the cases of *Dragados* and *Telefonica* seem to suggest that firms are sometimes very worried about having a wide geographical scope before coming into these alliances. While it is clear that having this scope helps to find a good partner and to negotiate with it, once the global alliance is formed it is not always the case that firms do change their initial attitude towards internationalization, or either that they devote the due attention to the alliance. The recent dissolution of the *BT–AT&T* alliance is another example of the difficulties involved in forming these types of links. Furthermore, these alliances are difficult to manage due to the narrow spectrum of possible partners. This makes troublesome not only the functioning of these alliances, but also their definition and setting up. Given that each alliance alters the status quo of the industry, this effect can provoke the reaction of competitors through maneuvers designed to hinder the development of the alliance. This is what happened, for example, with *Telefonica/BT/MCI* alliance when *GTE* and *WC* launched takeover bids for *MCI*.

Finally, *FED* and *BS* started their recent international expansion with global alliances not only because they wanted to reduce the risks of a rapid internationalization process, or because they wanted to gain access to knowledge and resources specific to foreign markets, but also because they were looking for a way to enhance their set of capabilities aimed at improving their competitiveness. Considering the experiences of the analyzed firms, it seems that the natural evolution of this strategy will be towards the key global alliance as the competence-building alliance increasingly affects the core areas of the firm, just as shown by the *Eurodom* case. Although a dissolution of an alliance should not be considered a failure, competence-building alliances, like *RBS–BS* or *Eurodom*, are more profitable to their partners as the relationship evolves. This is better understood if we take into account that firms are reluctant to share all of their relevant information at the beginning of the alliance, and that they have to spend an important amount of time identifying what they can do together and how to do it. The long-lasting competence-building alliances followed by those firms involved partners of a similar size and low geographical overlap. These two facts greatly contributed to smooth down the development of the relationship. On the one hand, similar size allowed a greater ease of communication, favored team work and, of course, facilitated the convergence of objectives—*FED*, *BS* and their allies were all worried about achieving critical mass to compete at a European level. On the other, low geographical overlap led the partners to concentrate their efforts in their own markets. Thus, the implicit commitment of not entering into the partners' markets made the alliances more stable and allowed a greater potential for development; yet competition between partners is not a drawback for the setting up of this kind of alliance. However, as these alliances evolve and the partners assume increasing degrees of commitment, competition between partners tends to decrease. The healthy growth of the alliance requires that each partner should supply the others with information about its competencies and strategies, but, logically, this information could hardly be provided if the partner were a fierce competitor. Competition therefore, more than an obstacle to the setting up of this type of alliance, is a serious handicap for the intensification of the relationship between the partners.

8. Conclusions and implications

From our point of view, the contribution of the present paper to the literature on international strategic alliances rests on its detailed illustration of the different cooperative strategies a firm may follow in order to accelerate its international expansion. To achieve this aim we have introduced a binary distinction between alliances: local alliances and global ones. The former are aimed at getting an easy entry into a foreign market with the help of a local partner. On the contrary, the objective of the latter is to gain a simultaneous entrance into several markets and/or to enhance the firm's competitiveness. Our attention has focused primarily on the use of global alliances, as local ones have received broader coverage in the literature. Furthermore, local alliances are not so interesting for our purposes: as local partners only contribute to the alliance with local knowledge and resources, these alliances provide the firm with a competitive advantage that is quite easy to imitate by competitors. Additionally, co-opting for a local partner does not prevent other firms from entering into the host country, as several local firms will be able to grant these resources.

Our starting point has been the cooperative experiences of 11 multinational Spanish firms, over which a longitudinal case study has been conducted. We have tried to prove how two previously analyzed dimensions in the literature of international alliances could be used to build a typology of cooperative strategies where all of our surveyed firms fit perfectly. In this typology we have identified three cooperative strategies for internationalization purposes based on global alliances.

- One key global alliance for market access: The firm agreed to coordinate its international activities with other firms with the aim of planning a worldwide coordinated action.
- Multiple global alliances for market access: The firm develops several independent multicountry alliances with the aim of expanding and consolidating their international scope.
- Competence-building alliances: The firm develops several alliances aimed at improving its core competencies, via the coordination of the partners' R&D and manufacturing strategies, as well as expanding the markets in which they may sell some of their products.

A sound implementation of these strategies significantly improves the competitive position of the firm, so it gains rapid access to several new markets and/or ameliorates its portfolio of resources. In addition, these alliances are more difficult to imitate because suitable candidates for each strategy are more limited than in the local alliance strategy, as finely exemplified by the *Endesa–Enersis* case. In spite of the advantages of these strategies, we cannot disregard the existence of different challenges and problems that may come to the surface during their adoption.

- Building a single key global alliance is not an easy task, in so much as its functioning is highly complex. We found that firms undertaking this strategy were more worried about size prior to entry into the alliance (either their own or their partner's) than about the trust levels between the partners. But it is an undeniable fact that trust plays a critical role in the setting up and functioning of these alliances, as they are highly complex and, consequently, it is fairly easy for conflicts of interest to arise. The most successful firm following such a strategy was one in which this key global alliance was the natural evolution of a former local alliance, rather than an alliance formed without previous cooperative relationships. This evidence led us to conclude that the best way to set up a key global alliance is to take sequential stages of increasing commitment, as well as to delay the entrance of new partners until the initial alliance is functioning properly.
- Maintaining an independent alliances strategy has the challenge of forming a web of complementary partners with no overlaps where the firm may have an ally for each region of interest. In order to find the best partner for each region, the firm may select the most suitable partner in advance or rather maintain several parallel alliances in the same region with different partners. In the latter case, the challenge is to identify the best partner as soon as possible and to be flexible enough to retain it, as holding several alliances for the same purpose implies a lack of commitment to each one, and ultimately, such a lack of commitment can backfire on the firm.
- When following a competence-building alliance strategy, the real challenge is to define long-lasting competence-building alliances. Learning opportunities increase as the alliance evolves because partners are usually reluctant to share all their valuable information from the beginning. For this reason, it is interesting to ally with partners of a similar size and to avoid geographical overlaps with them, factors which will indeed contribute to the development of the alliance. These alliances make it easy for firms to gain some advantages apart from learning, like those derived from what Dussauge and Garrette (1999) called quasi-concentration.
- Although the entrance of new partners in an already functioning alliance can be a positive step in a key global alliance for market access—at least, when the alliance is functioning properly—such an entrance can be particularly harmful for the founding partners in a competence-building alliance. This is due to the fact that newcomers in this type of alliances have high incentives to incur in an opportunistic behavior. As previously mentioned, in competence-building alliances partners share critical information. As the newcomers have not invested in trust formation, they can take advantage of that information worsening the competitive position of the founding partners, as the *Eurodom* case shows.
- Finally, our case studies make it clear that the multiple independent alliances strategy or the competence-

building alliance strategy may evolve to a single key global alliance strategy. Yet firms should be ready to overcome a large number of difficulties before this final stage is reached.

Acknowledgements

We are grateful to Susan Schneider, European Editor, as well as to three anonymous reviewers for their valuable comments. This research has been sponsored by the Centre d'Economía Industrial (Universitat Autònoma de Barcelona, Spain). Further financial support was provided by the Spanish Ministerio de Ciencia y Tecnología (Project SEC2000-0587). Earlier versions of this paper were presented at the 1999 Annual Meeting of the Academy of Management (Chicago), and at the 1999 Annual International Conference of the Strategic Management Society (Berlin).

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