**Global Marketing**

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Institutional Affiliation

Course Number and Name

Instructor’s Name and Title

Assignment Due Date

**(1) Over the past decade, the landscape of the international business environment has undergone substantial change. International strategic alliances (ISAs) and other inter-firm collaborative strategies have permeated global trade. With increasing frequency, international strategic alliances are being forged between firms. Instead of competing in an adversarial manner, firms are now focusing on “collaborating with their competitors.”**

**(a)Describe why are ISAs being formed and why is this major paradigm shift occurring from competing against to cooperating with competitors?**

International Strategic Alliances formation increases because the alliances work towards enhancing organizational capabilities and gaining competitive advantage. Through collaboration, organizations can venture into new markets and acquire new supply of resources in an acceptable way (Perlmutter, & Heenan, 1986). This is possible since the strategic alliances' core objective is to gain more market share and to push out competing organizations, raise resources for mega projects, form economies of scale, and also be able to access complementary resources to ensure success (Russo & Cesarani, 2017). The reason behind the formation of the ISAs is sharing risks, increasing competitiveness, entering new markets or market shares, setting new technological standards, and establishing economies of scale.

**(b)IDENTIFY, DESCRIBE and EXPLAIN in SUBSTANTIVE DETAIL the concept/ theory, precepts, and building blocks of ISAs and reasons for building ISAs.**

An international Strategic Alliance is the collaboration of organizations whose headquarters are located in different countries. In most instances, these strategic alliances are formed between a local organization and a foreign firm. This collaboration is based on the Theory of Alliances, where organizations merge to achieve better efficiencies and competitive advantage. The partnership enhances more integration and formalization in the governance of inter-organizational relations (Perlmutter, & Heenan, 1986). However, these alliances are bound by other theories such as transaction cost theory, Agency theory, and inter-organizational theory. Transaction costs state that an optimal organization structure can achieve economic efficiency by reducing exchange costs. The Agency theory is utilized to explain and resolve issues about the relationship between business and their agents. Furthermore, the inter-organizational theory addresses the changes that occur across organizations, and it focuses on helping organizations to cooperate and solve complex issues in the market. To form formidable alliances, companies must follow precepts such as ensuring transparency, alignment of goals, proper evaluation of risk and benefits analysis, mutual and flexible commitment to share (Perlmutter, & Heenan, 1986). However, to build an effective ISA, the main building blocks are; looking into the future, picking the right partners, commitment to mutual value, operationalization of the alliance, and Measurement of the alliance impact. Finally, the reasons for building ISAs include gaining new market share, beating the competition, pooling resources for more advanced projects, and gaining complementary resources.

**(c)IDENTIFY the TYPES and CHARACTERISTICS of ISAs in SUBSTANTIVE DETAIL.**

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| **TYPES of ISAs** | **CHARACTERISTICS** |
| Joint Venture | * This is a child company initiated by two companies * The venture is sustained by sharing resources and equity through a written agreement. * It has a straightforward objective, and any profit made is split between the two firms as agreed. |
| Equity Alliance | * It is established when an organization purchases equity of organization B, which is described as a partial acquisition (Gomes-Casseres, 1994). * Still, two companies can buy equities from each other, which is described as Cross – equity transaction |
| Non-Equity Alliance | * Here, organizations forge an agreement to share resources, and no sharing or buying of equity is necessary. * This is more of an informal alliance since no equity is involved * It is essential to facilitate research, development, production, marketing in sales since organizations work to improve their products without any limits comprehensively. |

**(d)Identify in SUBSTANTIVE DETAIL the ADVANTAGES and DISADVANTAGES of forming international strategic alliances?**

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| **ADVANTAGES OF ISAs** | **DISADVANTAGES OF ISAs** |
| Instant market access to foreign markets | Lesser equity stake or management authority |
| Increased sales due to new market share | Speculations of market insulation because of the local market. |
| Acquisition of advanced technology and skills | Possibility of inefficient communication due to diversity |
| Shares fixed costs and resources | Lack of initial control over issues such as quality or cost of production. |
| Broader distribution channels | Possibility of ownership claims conflicts |
| Broader political and business contact base | Clash of cultures |
| Global image enhancement | Delayed implementation to reach agreeable terms. |
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**(e) “All joint ventures are strategic alliances, but not all strategic alliances are joint ventures.” Do you agree or disagree with this statement. Either way, provide a DETAILED explanation in defense of your position.**

I agree with this statement because Strategic alliances involve only non-equity alliances. This means that strategic alliances do not include forming a separate entity with joint ownership of two firms (Ohmae, 1989). On the other hand, a joint venture requires organizations to form an alliance to create a baby company in which both companies share equity and resources. However, a joint venture can be considered as one form of strategic alliance. Therefore, it is correct to say that joint ventures are strategic ventures because they can be understood as temporary ventures where two firms join hands to accomplish a specific task (Nwogugu, 2018). Hence, all joint ventures are strategic alliances, but they are not joint ventures since they do not form a separate baby company to run.

**(2) The following questions are based on the HBS XEROX FUJI/XEROX (X-FX) Case.**

**(a) Based on your assessment, IDENTIFY AND EXPLAIN IN DETAIL THE CENTRAL PROBLEM facing X-FX?**

In my assessment, the central problem facing X-FX is effectively managing their alliance or relationship appropriately. Both companies' products offerings and marketing strategies were very different. Both companies could not move forward with the existing agreement regarding marketing and product offerings (Subramanian & Zhao, 2018). For instance, Fuji Xerox products were more superior, and if Xerox had been able to adapt their products, they could have gained a competitive edge in the market. However, Xerox was unwilling to cooperate, which led to losing valuable market share to their competitors.

**(b) ENNUMERATE and EXPLAIN IN SUBSTANTIVE DETAIL EACH OF the 4 KEY ACTION ISSUES for which *different strategies/solutions need to be articulated? What are the solutions for each ISSUE?***

***ACTION ISSUE 1: Global market for low-end copy machines***

The action issue here was that Fuji Xerox wanted to access a global market to supply low-end copy machines. They had already developed the copy machines but could not access the market due to the agreement with Xerox, which limited the machines' production and delivery capabilities (Subramanian & Zhao, 2018). Fuji Xerox wanted to continue producing and selling their low-end machines globally instead of supplying them to Xerox and Rank Xerox to sell on their behalf. The best solution to this issue was for Xerox to allow Fuji Xerox to get into the South Pacific market as a partner. In this case, both companies can freely navigate each other's territory as Fuji help Xerox advance their machines through their advanced research and technology.

***ACTION ISSUE 2: Lack of symmetric relationship***

An asymmetrical relationship means that there is equal dedication and effort from both parties in all areas. By establishing an asymmetrical relationship, Fuji wanted to be treated as an equal by Xerox in the relationship (Subramanian & Zhao, 2018). However, Fuji Xerox was treated like a subsidiary and had limited abilities in the agreement. Fuji wanted to be granted more control and equality over their produced products which was not made possible; for both companies to achieve an asymmetric relationship, they need to be equal partners in sharing research, resources, and market share. Therefore Xerox should accept Fuji Xerox as an equal partner to enhance better cooperation.

***ACTION ISSUE 3: Market share***

Fuji Xerox was interested in controlling the sales and operations in the South Pacific region, which Rank Xerox was holding. Fuji Xerox considered that they were in closer proximity, and the marketing and sales strategies were similar to those of Rank Xerox; they felt that they were in a better position to control the region (Subramanian & Zhao, 2018). Rank Xerox was failing and missing valuable opportunities to expand its activities. The solution to this issue is to ensure that each company can gain access to new market share. They should cooperate to complete globally (Perlmutter & Heenan, 1986). Here, Xerox should ensure that they open up the South Pacific market for Fuji Xerox, considering it will reduce shipping costs and benefit from better cooperation with Fuji to produce better copy machines for their large market.

***ACTION ISSUE 4: Low-end machine market in the USA***

It was also necessary for Xerox to consider how the market for low-end copy machines would be established in the United States. For instance, Fuji Xerox had already produced the machines. However, the new Management by Xerox was evaluating the agreement since they wanted to produce their low-end copy machines for the US market. This incidence shows that every firm considered its respective profits and interests instead of corroborating to achieve a common goal. To solve this issue, since the companies have no shared equity, Xerox should let Fuji Xerox continue producing low-end copiers since they are optimal for the market and have no hand in its production. It would be hard for Fuji Xerox to give their designs since this would mean that they would cease to operate globally due to competition in production from Xerox (Ohmae, 1989). Therefore, Fuji should continue producing and selling their low-end machines. At the same time, Xerox needs to improve or develop more advanced high-end machines and create a mutual benefit for both firms. This will ensure that they can beat competition from Canon.

**(c) Based on your analysis, first describe in DETAIL the meaning of EACH OF THE OPTIONS BEING CONSIDERED FOR: (1) MARKETING, (2) RESEARCH, and (3) DEVELOPMENT & MANUFACTURING.**

**MARKETING CONFIGURATION**

In my analysis, there exists a gap in the marketing process between the two companies. For instance, Fuji Xerox concentrated on low-end machines while Xerox focused on high-end machines to ensure higher profits. Previously Xerox was doing much better in selling high-end machines since they had a larger market share. However, this scenario changed when competition increased by introducing competitors who produced low-end copy machines that had the capabilities of high-end machines like Canon (Subramanian & Zhao, 2018). On the other hand, Fuji Xerox's marketing strategy had a background for marking up prices, and Xerox provided an acceptable gross profit. Considering the marketing differences, both companies competed with each other instead of collaborating to beat competition from Canon.

**RESEARCH CONFIGURATION**

From a research perspective, Fuji Xerox had started researching how to develop their machines extensively. As a result, Fuji was able to design and develop low-end machines that could match the production rate of high-end machines. Compared to Xerox, Fuji started the production of better machines with advanced technology. As a result, Fuji Xerox could sell more than 90% of low-end products in the market (Subramanian & Zhao, 2018). With one company having better research and another larger market, the two companies collaborated on research through joint training and development initiatives. The training program enabled them to collaborate towards developing the company further.

**DEVELOPMENT & MANUFACTURING CONFIGURATION**

Fuji Xerox and Xerox need to cooperate and develop their products as one company to ensure further development moving forward. The two companies develop different copy machines; Xerox manufactures high-end copiers, while Fuji Xerox manufactures low-end products (Subramanian & Zhao, 2018). Hence, they need to solve the manufacturing problem: who needs to manufacture which machine, which company will sell, and where to sell the machines.

**(d) Then identify and weigh in DETAIL the numerous PROS and CONS of EACH OF THE OPTIONS BEING CONSIDERED FOR: (1) MARKETING, (2) RESEARCH, and (3) DEVELOPMENT & MANUFACTURING.**

**MARKETING CONFIGURATION**

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| **MARKETING CONFIGURATION** | | |
| **MARKETING CONFIGURATION OPTIONS** | **PROS** | **CONS** |
| Common Marketing Strategies and market share | Each company can be able to sell their products in both territories | Lack of agreement on each maintaining to hold their market share territories and market share. |
| Common Goals | Both teams can be able to beat the competition | There is a lack of cooperation since both teams cannot agree |
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**RESEARCH CONFIGURATION**

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| **RESEARCH CONFIGURATION** | | |
| **RESEARCH CONFIGURATION**  **OPTIONS** | **PROS** | **CONS** |
| Common research | Sharing of knowledge and potential for innovation | Competition with each other |
| Separate research | Each team will be able to develop their machines to the optimal level | Lack of shared knowledge |

**DEVELOPMENT & MANUFACTURING CONFIGURATION**

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| **DEVELOPMENT & MANUFACTURING CONFIGURATION** | | |
| **DEVELOPMENT &MANUFACTURING OPTIONS** | **PROS** | **CONS** |
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| Manufacturing of different copy machines | Each company will be able to access each other market share without competition | Lack of common goal to be able to beat the external competition |
| Manufacturing same machines | Beat competition and adoption of great innovation. | No company want to lose their baby products hence lack of cooperation |

**(e) Based on your assessment of (c) and (d) above, suggest the BEST CONFIGURATION that would provide the HIGHEST LEVEL OF FOR COOPERATION identified by the Codestiny task force among EACH OF THE FOUR OPTIONS OF: (1) MARKETING, (2) RESEARCH, and (3) DEVELOPMENT & MANUFACTURING. (MAKE SURE YOU PROVIDE A SUBSTANTIALLY DETAILED EXPLANATION JUSTIFYING YOUR SELECTION OF THE BEST CONFIGURATION.)**

**MARKETING CONFIGURATION**

To market their products effectively, the companies need to adopt common marketing strategies to produce machines as one company. Still, each company should retain its initial specialization, either high-end or low-end products. This way, each company can sell machines in each other territory under the same brand name. Therefore, Fuji Xerox should be allowed to expand their market to the South pacific market since it is not ideal for their products to be shipped from Britain since this increases a lot of costs (Perlmutter& Heenan, 1986). This will ensure better cross-border cooperation between the two companies.

**RESEARCH CONFIGURATION**

Both teams need to conduct joint research on how to advance their products. This way, there will be shared knowledge where the high-end machines can make their machines faster and more efficient than the low-end machines. On the other hand, they can corroborate to make sure that the low-end machines can beat competition among other low-end companies in the market (Gomes-Casseres, 1994). Joint research will ensure that the company collaborates better and can even develop a shared machine.

**DEVELOPMENT & MANUFACTURING CONFIGURATION**

Essentially, both companies should continue manufacturing their respective machines as they continue building trust (Stronski & Ng, 2018). However, the manufacturing teams should have joint training and transfer processes, which will ensure each team can develop more advanced products for the market like Canon.

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