NOTICE

The quality of this microform is heavily dependent upon the quality of the original thesis submitted for microfilming. Every effort has been made to ensure the highest quality of reproduction possible.

If pages are missing, contact the university which granted the degree.

Some pages may have indistinct print especially if the original pages were typed with a poor typewriter ribbon or if the university sent us an inferior photocopy.

AVIS

La qualité de cette microforme dépend grandement de la qualité de la thèse soumise au microfilmage. Nous avons tout fait pour assurer une qualité supérieure de reproduction.

S'il manque des pages, veuillez communiquer avec l'université qui a conféré le grade.

La qualité d'impression de certaines pages peut laisser à désirer, surtout si les pages originales ont été dactylographiées à l'aide d'un ruban usé ou si l'université nous a fait parvenir une photocopie de qualité inférieure.

UNIVERSITY OF ALBERTA

Strategic Alliance: Partnering for Success

By

MOHAMMAD MAMOON AKHTAR ©

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfilment of the requirements for the degree of

MASTER OF SCIENCE

IN

ENGINEERING MANAGEMENT

DEPARTMENT OF MECHANICAL ENGINEERING

EDMONTON, ALBERTA

Fall 1994

ISBN 0-315-94997-X

Name [illegible]

Dissertation Abstracts International is arranged by broad, general subject categories. Please select the one subject which most nearly describes the content of your dissertation. Enter the corresponding four-digit code in the spaces provided.

[illegible]
SUBJECT TERM

[illegible]
SUBJECT CODE

U·M·I

Subject Categories

THE HUMANITIES AND SOCIAL SCIENCES

COMMUNICATIONS AND THE ARTS
Architecture 0729
Art History 0377
Cinema 0900
Dance 0378
Fine Arts 0357
Information Science 0723
Journalism 0391
Library Science 0399
Mass Communications 0708
Music 0413
Speech Communication 0459
Theater 0465

EDUCATION
General 0515
Administration 0514
Adult and Continuing 0516
Agricultural 0517
Art 0273
Bilingual and Multicultural 0282
Business 0688
Community College 0275
Curriculum and Instruction 0727
Early Childhood 0518
Elementary 0524
Finance 0277
Guidance and Counseling 0519
Health 0680
Higher 0745
History of 0520
Home Economics 0278
Industrial 0521
Language and Literature 0279
Mathematics 0280
Music 0522
Philosophy of 0998
Physical 0523
Psychology 0525
Reading 0535
Religious 0527
Sciences 0714
Secondary 0533
Social Sciences 0534
Sociology of 0340
Special 0529
Teacher Training 0530
Technology 0710
Tests and Measurements 0288
Vocational 0747

LANGUAGE, LITERATURE AND LINGUISTICS
Language
General 0679
Ancient 0289
Linguistics 0290
Modern 0291
Literature
General 0401
Classical 0294
Comparative 0295
Medieval 0297
Modern 0298
African 0316
American 0591
Asian 0305
Canadian (English) 0352
Canadian (French) 0355
English 0593
Germanic 0311
Latin American 0312
Middle Eastern 0315
Romance 0313
Slavic and East European 0314

PHILOSOPHY, RELIGION AND THEOLOGY
Philosophy 0422
Religion
General 0318
Biblical Studies 0321
Clergy 0319
History of 0320
Philosophy of 0322
Theology 0469

SOCIAL SCIENCES
American Studies 0323
Anthropology
Archaeology 0324
Cultural 0326
Physical 0327
Business Administration
General 0310
Accounting 0272
Banking 0770
Management 0454
Marketing 0338
Canadian Studies 0385
Economics
General 0501
Agricultural 0503
Commerce-Business 0505
Finance 0508
History 0509
Labor 0510
Theory 0511
Folklore 0358
Geography 0366
Gerontology 0351
History
General 0578
Ancient 0579
Medieval 0581
Modern 0582
Black 0328
African 0331
Asia, Australia and Oceania 0332
Canadian 0334
European 0335
Latin American 0336
Middle Eastern 0333
United States 0337
History of Science 0585
Law 0398
Political Science
General 0615
International Law and Relations 0616
Public Administration 0617
Recreation 0814
Social Work 0452
Sociology
General 0626
Criminology and Penology 0627
Demography 0938
Ethnic and Racial Studies 0631
Individual and Family Studies 0628
Industrial and Labor Relations 0629
Public and Social Welfare 0630
Social Structure and Development 0700
Theory and Methods 0344
Transportation 0709
Urban and Regional Planning 0999
Women's Studies 0453

THE SCIENCES AND ENGINEERING

BIOLOGICAL SCIENCES
Agriculture
General 0473
Agronomy 0285
Animal Culture and Nutrition 0475
Animal Pathology 0476
Food Science and Technology 0359
Forestry and Wildlife 0478
Plant Culture 0479
Plant Pathology 0480
Plant Physiology 0817
Range Management 0777
Wood Technology 0746
Biology
General 0306
Anatomy 0287
Biostatistics 0308
Botany 0309
Cell 0379
Ecology 0329
Entomology 0353
Genetics 0369
Limnology 0793
Microbiology 0410
Molecular 0307
Neuroscience 0317
Oceanography 0416
Physiology 0433
Radiation 0821
Veterinary Science 0778
Zoology 0472
Biophysics
General 0786
Medical 0760

EARTH SCIENCES
Biogeochemistry 0425
Geochemistry 0996
Geodesy 0370
Geology 0372
Geophysics 0373
Hydrology 0388
Mineralogy 0411
Paleobotany 0345
Paleoecology 0426
Paleontology 0418
Paleozoology 0985
Palynology 0427
Physical Geography 0368
Physical Oceanography 0415

HEALTH AND ENVIRONMENTAL SCIENCES
Environmental Sciences 0768
Health Sciences
General 0566
Audiology 0300
Chemotherapy 0992
Dentistry 0567
Education 0350
Hospital Management 0769
Human Development 0758
Immunology 0982
Medicine and Surgery 0564
Mental Health 0347
Nursing 0569
Nutrition 0570
Obstetrics and Gynecology 0380
Occupational Health and Therapy 0354
Ophthalmology 0381
Pathology 0571
Pharmacology 0419
Pharmacy 0572
Physical Therapy 0382
Public Health 0573
Radiology 0574
Recreation 0575
Speech Pathology 0460
Toxicology 0383
Home Economics 0386

PHYSICAL SCIENCES
Pure Sciences
Chemistry
General 0485
Agricultural 0749
Analytical 0486
Biochemistry 0487
Inorganic 0488
Nuclear 0738
Organic 0490
Pharmaceutical 0491
Physical 0494
Polymer 0495
Radiation 0754
Mathematics 0405
Physics
General 0605
Acoustics 0986
Astronomy and Astrophysics 0606
Atmospheric Science 0608
Atomic 0748
Electronics and Electricity 0607
Elementary Particles and High Energy 0798
Fluid and Plasma 0759
Molecular 0609
Nuclear 0610
Optics 0752
Radiation 0756
Solid State 0611
Statistics 0463

Applied Sciences
Applied Mechanics 0346
Computer Science 0984
Engineering
General 0537
Aerospace 0538
Agricultural 0539
Automotive 0540
Biomedical 0541
Chemical 0542
Civil 0543
Electronics and Electrical 0544
Heat and Thermodynamics 0348
Hydraulic 0545
Industrial 0546
Marine 0547
Materials Science 0794
Mechanical 0548
Metallurgy 0743
Mining 0551
Nuclear 0552
Packaging 0549
Petroleum 0765
Sanitary and Municipal 0554
System Science 0790
Geotechnology 0428
Operations Research 0796
Plastics Technology 0795
Textile Technology 0994

PSYCHOLOGY
General 0621
Behavioral 0384
Clinical 0622
Developmental 0620
Experimental 0623
Industrial 0624
Personality 0625
Physiological 0989
Psychobiology 0349
Psychometrics 0632
Social 0451

UNIVERSITY OF ALBERTA

RELEASE FORM

NAME OF AUTHOR	:	**MOHAMMAD MAMOON AKHTAR**
TITLE OF THESIS	:	**STRATEGIC ALLIANCE: PARTNERING FOR SUCCESS**
DEGREE	:	**MASTER OF SCIENCE**
YEAR THIS DEGREE GRANTED	:	1994

Mohammad Mamoon Akhtar
4712-18 A Avenue
Edmonton, Alberta
Canada T6L 2T2

Date:____________________

UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled:

Strategic Alliance: Partnering for Success

submitted by **Mohammad Mamoon Akhtar** in partial fulfilment of the requirements for the degree of MASTER OF SCIENCE in ENGINEERING MANAGEMENT.

P. Dozzi

G. Whiting

Viktor C. Mehrotra

V. C. Mehrotra

Date:

Abstract

Because Pakistan is not self-sufficient with know-how and capital, there is often a need to import them. In order to promote technological self-reliance, the government recognises the necessity for continued inflow of know-how, where Pakistani skills and technology are not adequately developed. Pakistan has been importing technology for the last 47 years, but the progress in has been slower than expected in industrializations.

Pakistan is engaged in a massive programme of growth, aimed at raising living standards, and breaking out of the shell of poverty and under-privilege. The achievement of a better society obviously necessitates a very substantive programme of investment funds. Pakistan seeks to raise funds through taxation, and through borrowing domestically and abroad, but these sources have their limitations. Consequently, Pakistan is forced to undertake the very difficult task of selecting investment priorities. What are the options open to Pakistan? One option that has emerged is the creation of strategic alliances with capable organizations to form and operate coalitions based on mutual needs and benefits.

The success of any strategic alliance depends on a wide variety of factors. Through an extensive literature review and a field survey of 43 companies having foreign collaborations, this thesis identifies 19 factors that influence the cross-border alliances.

Control of ownership and management of a jointly-owned entity, clear understanding of each

partner's objective and goals, focus on the creation of trust and long-term commitment, and government policies are the most important factors for the successful of a strategic alliance. Further, the infrastructure and human resource development, high quality of communications between partners, stability of relationship, participation of all employees, management structure, flexibility and strong commitment by the partners significantly affect the out come of strategic alliance process.

Acknowledgements

Many people deserve to be recognized. I want to express my deep gratitude to my thesis advisor, Prof. P. Dozzi whose practical judgment, creative insights, and constant encouragement have provided an essential foundation and guideline for all this work. Without his help and support, this thesis would have not been possible. Prof. Dozzi's passion for precision and clarity has served as a constant inspiration. I would like to express my appreciation to my thesis committee members, Drs. G. Whiting and V.C. Mehrotra for their advice and guidance.

My friends, Anil, Gopal, Maitra, Masood, Mohiuddin, Murad, Promod, Thomas, have been generous with their contributions and comments in preparing the thesis. I am particularly grateful to my good friend, Amit, for his faith and support as I struggled through my year as a graduate student.

I would like to thank Rana Shaheer Ahmad (M.D / P.O.F), M. Nawaz Mughal and his family, Ajaz Ahmad and his family, Rashid Khan and his family for their continuing encouragement in undertaking this M.Sc. programme. Thanks are also due the many companies who provided the information on which this thesis is based.

The greatest gratitude of all, however, I reserve to my mother, who taught me how to enjoy the simple things of life, to brothers, Zubair Ahmad, Dr. Humayoun Akhtar, Mohammad Shibli, M. Nausherawan, Asif Akhtar and Khurshid Alam and sister, Roshan Shahid who always gave of themselves so that I was comfortable. Throughout all of my career, they have amazed me with their patience and support.

And finally, this dream could not have been realized without the support and confidence of my brothers, Dr Humayuon Akhtar, M. Nausherawan and his wife, Hena Mohammad. Hena's trips to bring me tea and popcorn made it all worthwhile. I am also grateful to my nephews, Omar Mohammad, Owais Mohammad, Usman Mohammad, Ali Mohammad and niece, Ayesha Mohammad, who understood why I couldn't always be there for them.

TABLE OF CONTENTS

CHAPTER 1

Introduction

Industrial development is recognised as a major factor for social and economic development of a country (Kakazu, 1990; United Nations Conference on Trade and Development (UNCTAD), 1992; Rostow, 1967; Madu, 1989). In this century there have been many examples of poor, devastated countries becoming rich. Some countries that were poor in 1960- Taiwan, Korea - grew fast, and some - Egypt, Ghana - did not. Some countries that were prosperous in 1960 - Britain, Canada - failed to grow much, but others, such as Germany, and United States, did. Their prosperity eroded because their industries lost international markets where their dominance has once been taken for granted (Olive & Montgomery, 1993).

Merrifield (1993) stresses that an important element of the technology explosion is an exponential increase in ease of communication. Information, technology and capital now can flow to wherever they are needed. As a result, lesser developed countries (LDCs) have now become aware of, and aspire to, the quality of life they see in developed nations. About 85% of world population live in the LDCs, which now are abruptly entering global markets and capturing market share in existing industries with low-cost labor and natural resources.

It has been argued (Chico, 1991) that since less developed countries (LDCs) are not self sufficient in know-how, there is often a need to import know-how. (UNIDO, 1976) offers a wider definition of know-how. It consists of:

(a) "manufacturing process or knowledge concerning the use of application of industrial techniques

(b) knowledge of experience acquired for the practical application of a technique

(c) for a given product or category of products, of the whole o. part of the technical information needed for designing, manufacturing, using, maintaining or possibly marketing the product or products or some elements there of, or for any combination of these operations.

For techniques or processes, know-how can consist of the whole or part of the technical information needed for designing and using them.

Know how suppliers want profitable operations and applications to enhance their corporate goals (Derakhshani, 1984), whereas owners want to expand their markets, to increase their sales volume. Utilization of cheap labor and raw material in the less developed countries and countering competitive pressures at home are some other possible goals (Derakhshani, 1984; Sweeney, 1970). The goals of both parties are different.

Baranson (1990) points out that there are fundamental differences between traditional joint ventures and strategic alliances. Joint ventures are legally binding agreements stipulating resource commitments, financial investments, management structures and profit shares. Strategic alliances are more in the nature of "memoranda of understanding" which both set forth basic business objectives to co-market, co-develop and/or co-produce products and services and out-line decision making mechanisms or business agendas, resource commitment and distribution of returns. Strategic alliances contain statements of intent on procedures to work out business plans and operation procedures, and are therefore more flexible and open-ended than joint ventures. Mutual trust and complementaries in the decision making and operational control are two other distinguishing characteristics of strategic alliances.

Neal & Pass (1992) indicate that strategic alliances are co-operative arrangements between businesses enabling them to obtain access to technologies, know-how, capital and markets to augment their own resources and capabilities. Pairing resources and capabilities in this way allows strategic partners to achieve synergistic effects otherwise unobtainable on the individual basis. Joint ventures involve the formation of independent businesses through the cooperation of two or more parents firms. The central characteristic of a joint venture is that it is an equity-based relationship, with the ownership split in a variety of ways.

Badger et al (1992) say that a strategic alliance is a long-term association with organizations, used to farther the common interests of the members. The continued association is based upon mutual trust and the satisfactory performance of each participant, and the alliance as a whole, rather than a pure contractual obligation. A joint venture is a collaborative undertaking by two or more participants for a specific purpose. The participants are obligated by contractual agreement to contribute skills, experience, financing, and physical resources. Most joint ventures tend to be tactical and short term. A strategic alliance is longer-lived partnership with a supplier. customer, competitors, university, or a combination of four that directly supports ones's strategic, long-term objective (Kahn, 1992).

Traditional joint ventures have a high failure rate (Clarke; Brennan, 1990). They emphasised that natural inclination of the venture partners to interfere in the running of the ventures is the biggest cause of failure. Those run independently had the highest chance of success. Those with a domain partner had the second highest and those with joint management had a very high failure rate. If the decisions have to be evaluated and debated in two large parent organisations with potentially two differing objectives and analysis systems, it is inevitable that delays and differences of opinion will result. When it is right for one partner to invest it may not be for another. When one wants to move fast, the other may be seeking more information. Many joint ventures are abandoned as a result of the ensuing frustrations.

Schlender (1993) emphasizes that it is no longer an era in which a single company can dominate any technology or business by itself. He observes that the technology has become so advanced, and the markets so complex, that you simply can not expect to be best at the whole process any longer.

You no longer have to have all skills, resources and capabilities yourself; you can partner with others (Mason, 1993). Undoubtedly, some of the alliances that are headline news today will fizzle out without producing any great results, but several will lead to strong business arrangements that will cause companies to flourish in this global business environment (Robert, 1992). Roberts points this: If your business is subject to international competition, you cannot afford to adopt a go-it-alone strategy. Badaracco (1991) indicates that the basic problem with "go-it-alone" approach is that autonomous efforts are often slow and limiting: they are dangerous in the world of specialized capabilities, shortening product life cycles, and time-based competition, where windows of earning profits open and slam shut quickly. Companies do need to pursue go-it-alone strategies for crucial resources, core capabilities, and key technologies. But the worldwide creation of embedded knowledge makes it increasing hard for them to use this strategy for all the supporting capabilities a company may need.

Kanter (1990) emphasizes the "do-it-yourself" option has limitations in a fast-paced, highly competitive environment. It is costly in terms of both resources and time, even assuming the organisation has the capacity to handle the new task successfully. The old-age adage "there's strength in numbers" has never been more true than it is in dog-eat-dog business arena (Thompson, 1993).

Kanter (1989) points out that in the rapid change in business environment, every element is in motion - technology, suppliers, customers, employees, corporate structure, industry structure, [illegible]nment regulations - and none can be counted on to remain stable for very long. It is impossible to succeed in these conditions that by using old corporate forms which characteristically have elaborate hierarchies and slow decision making process. In traditional work, people use resources they control to reach their objectives. Alliances add other dimension, because they may also use any available outside resource to reach the objectives (Lewis, 1991).

Strategic alliances are a potent way to do more with less (Kanter, 1989). With the right sort of alliances, you can shorten development times, improve performance levels and provide better service to your customers. Harrigan (1987) suggests that strategic alliances will increase due to technological advances. He indicates that the technological advances reduce the life cycle of products which increases the risks of loosing capital investment and increasing risk. To stay competitive, Harrigan feels that firms will seek strategic alliances to produce or to distribute new products, monitor new technologies, share research costs, improve their competitive position. Strategic alliance can be the key to enabling your company to survive and flourish during a period of intensified global competition (Roberts,1992).

LDCs account for approximately one-fourth of world trade, both as suppliers of exports and imports of other countries exports. The share of LDCs in the world trade is approximately the same as their share of world income. In 1980s developing countries exhibited high growth rates of their exports of manufacturing.

Pakistan comes in the categories of less developed countries, details about Pakistan are in chapter 2. In this respect Pakistan's experience is similar to that of other developing countries whose national aspirations were greater than the capacity or resources necessary to satisfy them.

Pakistan like other countries, must strengthen its industry in order to survive in the world market and improve their standard of living. The creation of strategic alliance will stimulates the development of industrial diversification in Pakistan.

Purpose of Research

The purpose of this thesis is to explore the nature of business partnership in Pakistan using strategic alliance as a model. The objective of this research is to promote a better understanding of how firms proceed in forming strategic alliances.

A strategic alliance can be defined as a coalition of two or more organisations to achieve strategically significant goals and objectives that are mutually beneficial (Akhtar, Monga and Dozzi, 1994). These goals and objectives can be pursued in either the economic or political arena, can be flexible in time orientation. Mutually beneficial does not imply equality of benefits, but does mean that all parties to the alliance receive benefits from it in proportion to the contribution made.

It may be possible that Pakistani company or Pakistan does not have either money or the know-how or the market to justify the setting up of an industry unit of optimum size. The likely solution would appear to be for the Pakistani companies to create strategic alliances with the companies from developed countries.

The nature of cross-border alliances has undergone a veritable metamorphosis in recent years. In the past, an alliance typically involved a trade-off, with one partner providing industrial know-how or new technology in return for guaranteed position in other's market.

Increasingly, alliances are taking a more forward-looking approach. They typically begin at the front end, with joint development of new products and markets. These inter firm arrangements are far more likely to involve a real sharing of technology and the financial risk.

Cross-border strategic alliances also bring significant benefits to the local partners, thus ensuring a more stable and lasting relationship. These benefits may include upgrading technology and marketing skills, introducing modern management technique, and providing jobs to local workers.

A preliminary literature survey indicates that traditional joint ventures have a high failure rate (Clarke; Brennan, 1990). Harrigan (1985) indicates that there are dangers in using joint ventures, which include antitrust problems, sovereignty conflicts, losses of autonomy and control, and losses of competitive advantage through strategic inflexibility. If a technological edge is necessary to maintain competitiveness, joint ventures may weaken a firm's ability to innovate and respond to changes in the market (James Jr. and Weidenbaum, 1993).

Devlin and Bleakley (1988) suggest that many collaboration suffer catastrophic failures because they are formed quickly without sufficient planning. Takak & Singh (1992) and Ekholm (1988) feel that lack of communication, information, trust and mutual understanding are some of the common factors leading to the failure of these collaboration. Further, the socio-economic and political factors and differences in cultural and ethical value systems between developed and developing countries (Madu, 1988; Graham, 1985; Austin, 1990) should also be taken into consideration.

Today's businesses are faced with the need to reduced budgets, reduced organisations, and work force, deal with the external influences and at the same time raise standards of quality, innovation, productivity and customer value. How can an organisation achieve success in this world of ever increasing global competition and rapid change while at the same time the scope of what a business can do alone is shrinking (Kanter, 1989)? There is way to succeed by forming a strategic alliance.

Research Methodology

The objective of the study is to formulate hypotheses which might lead specifically to improvements in collaboration in the form of strategic alliance. The success of strategic alliance process depends on the extent of harmonization of the objectives of both the parties.

From the view point of a Pakistani enterprise, the main motivating factor for having a strategic alliance is access of know-how and financing.

The instruments used in gathering pertinent information are a survey of as many collaborations as possible and in-depth studies of ventures.

An questionnaire was designed to elicit information and practices in the existing collaboration. It is divided into eight parts. Since there is very little information in print on the topic of practices of collaboration in Pakistan, the respondents are requested to answer these questions in as much detail as possible. The respondents are urged to answer all questions. They may provide additional information not covered in this questionnaire, if it will facilitate a better understanding of the structure and working of collaborative management system and practices. Information received in this questionnaire was treated as strictly confidential.

In the first part of the research, the main factors influencing business ventures have been identified through a literature search.

In the second phase of the research, a questionnaire survey was conducted with the companies involved in a collaboration. Personal interviews were also conducted.

CHAPTER 2

PAKISTAN

History, Industrial and Economic Policy, Laws, Regulations: A Review

Pakistan is growing market of 120 million people. Foreigners still have much to learn about where to do business in Pakistan, how to enter the market, and the realities of doing business there. This chapter is particularly for those foreigners who want to know more about Pakistan.

Perhaps the greatest area of opportunity for foreigner business in Pakistan is in supplying know-how and investment capital, both of which are in demand. The majority of Pakistani consumers are attracted by brand name. As Khanna (1968) put it:

> From morning till bed-time the life of every well to-do families is dominated by foreign brand names. More likely than not he wakes up with a cup of Brook Bond or Lipton's tea, clean his teeth with Colgate or Forhan's toothpaste, has his bath with Pear's or Lifebuoy soap, breakfasts on Britannia bread and Nescafe, goes to office in a standard Herald car and is borne to his fourth floor office in an Otis lift.

History:

Pakistan is a country situated to the north west of the Indian subcontinent bordered by Iran, Afghanistan, China and India. It covers a total area of 803,943 square kilometres (310,527 square miles) and has four provinces, Punjab, Sind, North West Frontier Province and Baluchistan. It is a country of 120 million people with a growth rate of 3%. The territory of Pakistan extends from latitude 23^0 45' to 36^0 50'N and between longitude 60^0 55' and 75^0 30'E.

The fertile Indus valley gave birth to one of the oldest civilisations on earth. For 6000 years, Persian, Greeks, Muslims, Turks, Mongols, and Britons have trod its rich soil and left their marks. West of the Indus, the terrain is generally mountainous. To the east, it is low-lying and increasingly dry and barren towards the Thar Desert, on the southernmost border with India. In the north are the Hindu Kush, Himalayan, and Karakoram mountains, the last rising to 26,250 feet (8,000 meters).

Although only 47 years old, Pakistan shares the 6000-year old history of the India-Pakistan subcontinent. The Indus valley civilization, where Harappa and Mohenjo Daro now stand flourished from around 4000 to 2500 B.C. with large cities and elaborate irrigation networks.

Aryan invaders from north west conquered the region around 1500 B.C and established a Hindu Civilization that dominated what is now Pakistan and India for 2,000 years. A long parade of other cultures, from the Persians in the 6th centaury B.C. through Alexander the Great and the Sassanians, ruled or influenced Pakistan, eventually splitting the area from the Indian cultural sphere. The first Arab invasion, in A.D.712, introduced Islam. Under the Moghul Empire (1526-1857), Muslims ruled most of India.

After World War 1, the Muslims of British India, under the leader Mohammad Ali Jinnah, who came to be called Quaid-e-Azam (the great leader) by his large and devout following, began to push for minority rights in elections. The Islamic Republic of Pakistan was formed on August 14, 1947, out of the partition of British India.

Industrial Policy:

Like other developing countries Pakistan considered industrialisation as the basis for creating a better economic order for its citizens. An emphasis on industrialisation in an underdeveloped economy is understandable and a nation's hopes and aspirations are indicated in its stated objectives. In earlier years industrialisation in Pakistan has been made possible by government interventions, mainly due to a lack of entrepreneurs. Government intervention can be justified on many philosophical grounds, to ensure equality and welfare, to make certain that there would be no disproportionate investments, on economies of scale. The industrial policy of Pakistan, with particular reference to foreign investment, recognises that foreign investment can play a significant role in promoting the economic development of the country. Foreign investment in Pakistan has generally been in the form of joint ventures, involving shared ownership between local and foreign partners. The parties to a joint venture arrangement in the private sector may be individuals or corporate bodies. The common form joint venture is Equity Joint Ventures involving foreign investment. These joint ventures involve participation by two or more partners in the equity capital of an existing company, as also in the incorporation of a new company in which each partner owns a certain portion of the equity capital.

The Government of Pakistan has adopted and will continue to adopt measures which will stimulate the flow of foreign investment capital for the economic development of the country on terms that are satisfactory also to the capital exporting country. The Government of Pakistan fully realises that the enactment of liberal legislation governing foreign investment is only half the battle, the remaining half lies in the implementation in a fair manner to ensure that the concessions promised to foreign investors are not whittled down in practice.

In order to accelerate the pace of industrial development and to provide a guideline for investors and entrepreneurs, both Pakistani and foreigner, the Government has adopted the strategy of announcing the Industrial Investment Schedules for the private sector. The objective of the schedules is to indicate a broad field of industries claiming priority in the development plans from which investors could pick and choose.

The taxation policy of Pakistan is designed to create a healthy climate for investment, both local and foreign, and is used to stimulate increasing rate of savings and investment; to encourage domestic production: to regulate imports; to promote exports through rebates and subsidies; to encourage dispersal of industry through tax concessions to selected industries; to control inflation; to reinvest profits and the distribution of dividend; and to bring about the equitable distribution of income and wealth leading to the containment of an excessive of wealth in the hands of an individual.

After 1977, the government opened up a large field of private sector investment through a demarcation between the public and private sector under the Economic Reform Order 1972. In 1979 an Act was passed by the parliament for the promotion and protection of foreign private investment.

This was followed by a Presidential Order in 1979 for protection of industrial property rights of investors. Then in 1984, a process of deregulation was initiated and comprehensive industrial policy statement was issued to encourage foreign private investment in industrial projects involving advanced technology and heavy capital outlay like engineering base chemicals, electronic and other capital goods industry.

Pakistan has already liberalized its foreign investment policy by reducing regulatory and procedural impediments, and thereby promoting access to the Pakistani markets. Besides the undermentioned concessions have been extended to them to encourage their participation in the indigenous industrial activity.

Foreigners are allowed to invest up to 100 percent of equity without prior approval of the government in most sectors. Foreign manufacturing companies who export 50 percent or more of their products can obtain working capital loans from domestic financial institutions without prior approval of government of Pakistan. Branches of foreign companies, with certain exceptions, can remit home profits without permission from government. Industrial undertakings can obtain foreign loans when government repayment guarantees are not required.

Pakistan today provides an ideal environment for investment by multinationals and other foreign companies and organisations. It is expected that Pakistan soon would be the most attractive location in Asia as far as industrial and business opportunities are concerned. Presently, except for only three industries, i.e. (I) arms and ammunition, (II) security printing, currency and mint, (III) high explosives and radioactive substances, any amount can be invested without the requirement of approval by the government.

A brief review of foreign investment would make the picture more clear. Initially, the British and Europe trading and business houses had taken the lead as they had been present in this area for a long time. However, today USA leads with (25%) investment, followed by UK (13%), international lending institutions (11%), Germany (6%), Japan (3.25%). Recently, Japan's investment in the automobile industry has increased substantially, thereby increasing share.

Seimens of Germany is perhaps the oldest in the industrial field in Pakistan, having established its industry in 1932, while ICI is the second, having set up the soda ash factory in 1942. These have since expanded their activities in a number of other fields. Unilever, Imperial Tobacco, Shell, Burma Oil also came soon after independence in 1947. Their consumer products are household names here. The US, Germany, British and other Pharmaceutical came in the second wave. Many European, Korean and Middle-East companies are active in constructions, communications and other fields. Japanese are mainly in the automotive industry, like Toyota, Suzuki, Nissan, Honda.

Pakistan's industry is mainly based on agriculture. Exxon came first in this field in 1960, establishing the urea factory. Hercules of USA was next, with a joint venture. With mechanization the agricultural, industry developed, Massey Ferguson, Fiat and Belarus established joint ventures. In the infrastructure development as well, the French firm Sogea has been active in the construction field.

Financial institutions are playing a very significant role in the development of Pakistan's economy. Presently 22 foreign banks are functioning in the country and taking a major share in the growing industrialization and business, particularly in foreign currency and deposit mobilization. These have 16 percent of the total deposits; 33 percent of the trade handled by the multinational companies are through the foreign banks. Through innovative schemes, as well as managerial and professional training, they have assisted in the development of the banking and other financial institutions, thus helping in the overall development of the economy of the country.

Economic Development

Although Pakistan is more prosperous than India and China, it is still one of the poorest nations in the world. Its per-capita income is just a little over US$400 a year (Weston,1992). At an average per capita income of more than $500, Pakistan would be categorized as a middle-income country rather than as a member of the group of nearly forty-two countries that the World Bank classifies as a low income (World Bank, 1992).

According to "Pakistan Federal Bureau of Statistics and Economic Adviser's Wing" followings are the top ten exports and imports.

PAKISTAN'S TOP TEN EXPORTS

1) Raw cotton

2) Cotton yarn

3) Cotton fabrics

4) Cotton clothing

5) Rice

6) Leather

7) Carpets

8) Other textiles

9) Cotton hosiery

10)Cotton towels

Cotton is important cash crop of Pakistan. It is the backbone of country's economy. Raw cotton and its byproducts contribute about 60 percent of Pakistan's total foreign exchange earnings. It is a major source of income and employment generation in agricultural and industrial sector. It provides job to about 7 million people, raw materials to 1250 ginning units, 300 textile spinning mills and more than 800 oil expelling units. It also meets about 55 percent of domestic edible oil requirements indirectly.

Pakistan has remained the fifth largest producers of cotton in the world. About 65 percent of cotton produced in the country is normally consumed by domestic textile industry. Pakistan has remained the second largest exporter of cotton in the world.

PAKISTAN'S TOP TEN IMPORTS

1) Machinery
2) Petroleum products and crude oil
3) Chemicals
4) Vegetable oils
5) Motor vehicles
6) Unmilled wheat
7) Iron and steel
8) Fertilizer
9) Tea
10)Paper and cardboard

According to the World Bank Report (1990) the areas in which Pakistan displays a higher level of development compared to lower-income countries are (1) its contribution of manufacturing to gross domestic product (GDP), (2) its share of labour force employed in industry, and (3) its level of urbanization. The process of development has moved resources out of agriculture and into industry, commerce, and services. Nearly one-third of Pakistan's total output was accounted for by manufacturing sector, while services sector contributed another one-fourth.

Economic development has also resulted in the movement of labour from agriculture into non-agricultural pursuits, and from the countryside to towns and cities. Madely (1993) indicates that people grow export crops to earn money to buy goods and services that might not otherwise be available to them. But, returns may be so meagre that do not cover the cost of production or give growers and adequate standard of living - the return may not enable them to buy other goods. Madely points out that cotton prices have nearly doubled in monetary value in the past 30 years, they have not kept place with inflation. However over the same period the prices of some imports of agricultural machinery have risen fivefold.

As there is over-supply of primary produce, the prices are often low. At present the world has a glut of most of the major agricultural products that are traded on world markets.

Companies that make manufactured goods, by contrast, enjoy an "imperfect" market. It is one of the ironies of international trade that 'perfect' is usually bad for producers, and 'imperfect' is good. Manufacturers can claim special features for their goods and fix prices accordingly. So these countries are in a much stronger trading position than countries whose economies are based on agriculture produce. And, in practice, over the last 40 years or more,the price of manufactured goods has increased faster than the price of primary goods.

Pakistan's production and export base has undergone only limited diversification, with agriculture contributing about 23 percent of GDP. Industry remains concentrated in cotton processing, textiles, petroleum refining, and food processing.

The concentration of exports in rice and cotton, which have uncertain price prospects, and in low value added cotton textile subject to protectionist pressures from industrialized countries has made Pakistan's balance of payments fragile and vulnerable to external shocks.

Continued high levels of spending on defense, large debt-servicing needs, and weak resource mobilization efforts have made it difficult to expand public investment in priority areas, including basic infrastructure. Public sector management constraints and project implementation bottlenecks have also slowed public investment efforts.

Although progress has been made in implementing reforms in a number areas, the overall pace of reform has been slower than expected .

Efforts to reduce the fiscal deficit have been disappointing, with the deficit increasing sharply to 8.7 percent of GDP in fiscal 1991 and remaining 7.5 percent of GDP in fiscal in 1992 because of slow progress in tax reform and insufficient control of expenditures. To finance these large deficits, borrowing from the banking system rose sharply, to 4.2 percent and 5.9 percent of GDP in fiscal 1991 and fiscal 1992, putting pressure on monetary aggregates. As a result of these factors and sharp increase in energy prices in fiscal 1991, inflation remained above the target at 13.1 percent in fiscal 1991 and 9.1 percent in fiscal 1992.

Exports have exhibited strong growth, increasing on average by 14.1 percent in dollar terms between fiscal years 1989 and 1992, which in part reflects Pakistan's flexible exchange rate policy. The current account deficits declined from 4.4 percent of GDP in fiscal 1988 to 3.1 percent of GDP in fiscal 1992.

Several terms of trade shocks, mainly due to increases in the prices of oil products, the depressed state of world cotton market, and liberalization of the import regime contributed to a weakening the balance of payments position.

Despite continued difficulties, the government has made considerable progress in opening the economy and improving the environment of private sector activity. The important reforms in industrial regulation, lifting foreign exchange controls, and eliminating investment sanctions, which were implemented in fiscal 1991, developed a more hospitable framework for the private sector. Progress has also been made in reducing non-tariff barriers to imports.

The government has continued financial sector reform, introducing an auction system for government securities and improving competition by approving several new private financial institutions and privatizing the nationalized commercial banks. These reforms are important elements for promoting a stronger private sector, improving overall resource mobilization and allocation, and helping to pave the way for the needed increase in the saving rate.

Considerable progress has been made in privatization. Of the 103 industrial units offered for sale, 49 have been sold in the private sector. The government has made regulatory changes to prepare for privatizing the Pakistan Telecommunications Corporation. It is also pursuing initiatives to increase private sector participation in the energy sector.

Balance of Payments

The following table presents an 8 year picture of foreign trade figures for Pakistan.

Foreign Trade of Pakistan ($ million)

Year	Imports	%Increase	Exports	%Increase	Balance
1985-86	5,635	-	3,073	-	-2,562
1986-87	5,380	-4.5	3,688	+20.0	-1,692
1987-88	6,395	+18.8	4,457	+20.8	-1,932
1988-89	7,069	+10.6	4,693	+5.2	-2,376
1989-90	6,941	-1.8	4,965	+5.7	-1,976
1990-91	7,631	+9.9	6,167	+24.3	-1,464
1991-92	9,245	+21.2	6,912	+12.0	-2,342
1992-93	9,941	+7.5	6,813	+1.4	-3,028

Exports declined by 1.4 percent from $ 6912 million in 1991-92 to $ 6813 million in 1992-93. In 1992-93, imports increased substantially, thereby widening the export-import gap from $2342 million in 1991-92 to $3028 million in 1992-93. (Fig. 1).

The export share of value-added goods has increased in recent years, but the current accounts deficit and repayment of loans have always been met by remittances from its workforce abroad. These are now in the region of $3 billion per annum.

The terms of trade also declined as a result of increase in oil prices accompanied by rises in the prices of machinery, while exports were effected by cyclical fluctuations and changes in government policies in importing countries.

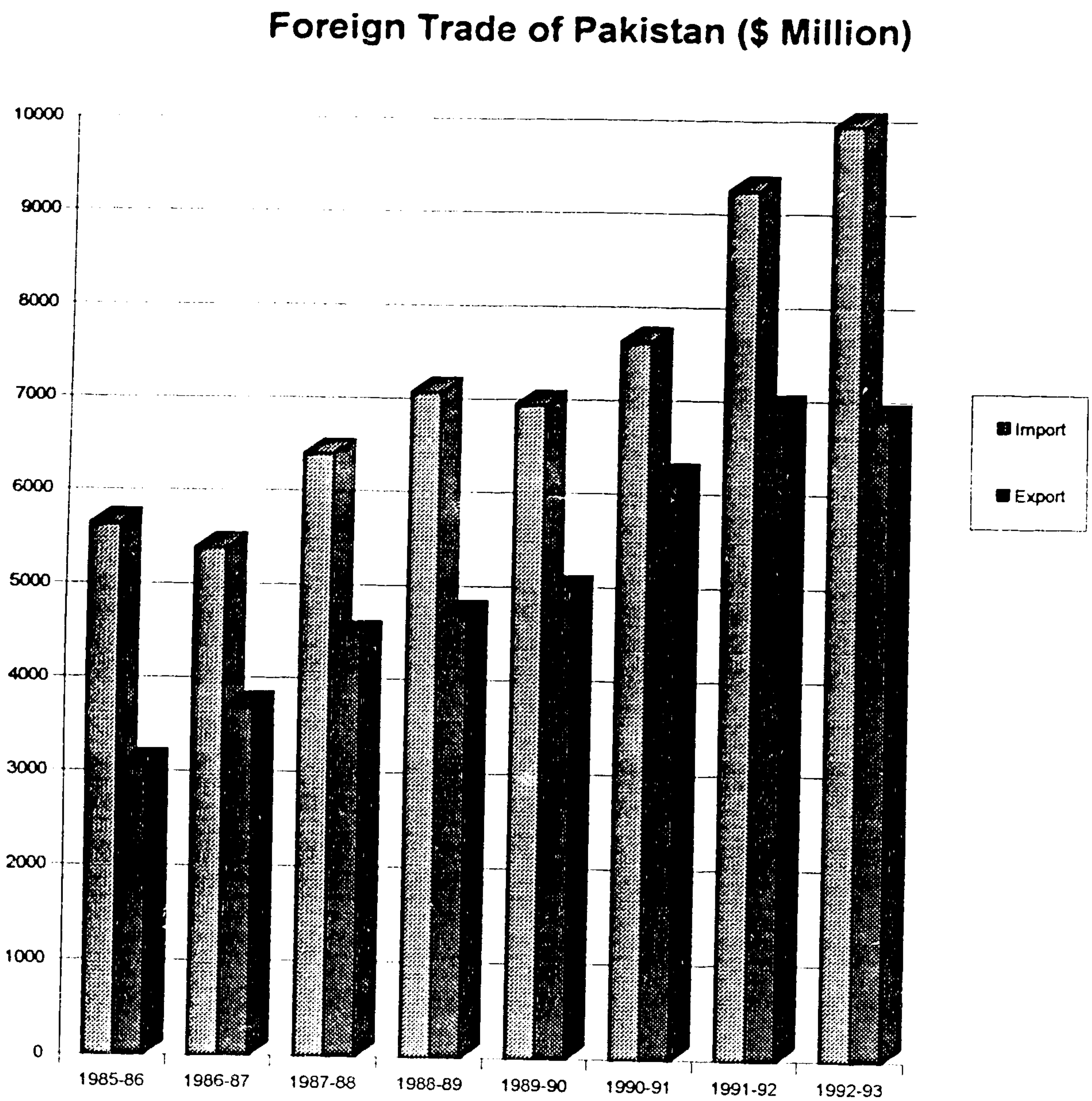
Foreign Trade of Pakistan ($ Million)
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
1985-86
1986-87
1987-88
1988-89
1989-90
1990-91
1991-92
1992-93
Import
Export

Figure 1

External Influences on Pakistan's Economy

Domestic policies have been important in influencing the pace as well as pattern of economic growth, but they cannot be held entirely responsible for the highly erratic performance of the economy. Other reasons were implicated, as well as, including the economy's external environment. For Pakistan, external resource flows due to export earnings as well as capital transfers, have always been important in view of the country's very low domestic saving rate. The rate of domestic saving in Pakistan is much lower than the average for developing countries. In 1960, Pakistan saved only 5 percent of its GDP, 6.9% in 1980, 6.7% in 1985, 11.8% in 1990, 11.9% in 1991, 12.3% in 1992. Despite a low rate of saving, gross investments remains high : It was 12% in 1960, 18% in 1979, 18.5% in 1980, 18.3% in 1985, 18% in 1988, 18.9% in 1990, 18.7% in 1991 and 18.7% in 1992. This gap between gross domestic saving and investment - the resource gap - was financed by highly concessional assistance in the 1960s, mostly from the World Bank and the United States. In the 1970s, a fairly large part of deficit was financed from short-term borrowing; at times, even high rates of interest did not inhibit Pakistan from going to the market. The result was that, by the middle of the 1980s, Pakistan carried a very large burden, estimated in 1983 at nearly $10 billion, or 33 percent of a GDP of some $30 billion.

Pakistan's foreign policy in the 1960s paid rich dividends in the form of large amounts of concessional resource flows. In terms of the proportion of GNP as well as real flows per-capita of the population, foreign aid during this period was greater than it had been in the 1950s and greater than it was to be in the 1970s and 1980s (Pakistan Economic Survey 1989-1990).

However, in per capita terms, foreign assistance continued to increase to $21 in 1989-1990. In nominal dollars, that represented the highest level of foreign assistance per person in Pakistan's history. The U.S. connection was suddenly severed in 1965, as the war with India had resulted in a considerable amount of rethinking in Washington and Islamabad about the usefulness of the close ties between the two countries. Islamabad felt let down by the lack of support from Washington.

The separation of East Pakistan in 1971 had one other important consequence: It allowed Pakistan to put more emphasis on cultivating a close relationship with its neighbours in the Middle East and began to play a much more important role in the Middle East. Starting in 1974, hundreds of thousands of workers began to migrate from Pakistan to the oil-exporting countries of the Middle East. Pakistan received about $3.0 billion of remittances through official channels alone from the workers in the gulf states annually. About the same amount came in through means such as the *hundi* system, in which capital is transferred informally between private individuals (Burki, 1991).

An another event occurred in 1979 when Soviet troops entered Afghanistan. and for the United States, Pakistan became a "front line state," this new geopolitical situation once again revived U.S. interest in Pakistan. Pakistan became the largest recipient of U.S aid after Israel and Egypt. The war in Afghanistan had other economic consequences as well. It brought 3.5 million Afghan refugees to Pakistan. It also brought traffic in guns and drugs to an inherently volatile society. Even after an increase of 14.5 percent in the population, this rate of growth meant increasing Pakistan's per capita income to $460 in 1982.

Another external influence on Pakistan's economy was the consequence of Iraq's invasion of Kuwait on August 2, 1990. The impact of this development on Pakistan's economy was almost immediate. It was hurt by the increase in the price of oil from 1989's OPEC average of US$16.40 per barrel to around US$30 in September 1990. Pakistan also suffered from the loss of remittances from the Middle East. Some modest amount of support was provided by Saudi Arabia in return for Pakistan's decision to send troops to the Arabian peninsula. Pakistan deployed 6,000 soldiers as part of Operation Desert Shield sponsored by the United States.

Summary and Conclusion

Although progress has been made in Pakistan in implementing reforms in a number of areas, the overall pace of reforms has been slower than expected.

Pakistan's future success will depend upon a number of factors, the most important of which is internal political stability. Pakistan's economic future will also depend on the rapid development of industrial sector; improvement in the quality of human resources; liberal economic policy.

The agricultural growth has its own advantages as far as self-sufficiency in food grains production is concerned which in turn leads to self sustance on national plan, and is therefore, desirable. But under the present conditions when life pattern is complex and even competitive, Pakistan has to provide infrastructure and industrial base for industrial potential to grow and flourish; to enable the nation to bring out its best answer to question relating to the country's prosperity, territorial integrity and national sovereignty and independence.

To realise goals of overall national self-sufficiently and economic viability Pakistan needs a major break through in the field of industrialization- so far Pakistan's record has been haphazard, irregular, and unscientific. But now the trend has to change and development has to be selective, with an eye to specialization. Emphasis has to be placed on industrialization to boost exports, and has the effect of maximizing our foreign exchange earnings. All prosperous nations in the world are drawing sustenance through this means.

Pakistan, a cotton producing country but its share in the world exports is hardly 1.5%. In other words, export in Pakistan has not assumed the importance it should attain if it has to emerge as a middle income country.

One of the main characteristics of Pakistan's export is the dependence on a few selected items. For instance, cotton and cotton manufactures alone form about 60% of total export. The narrow base and lack of diversification of exports have the country vulnerable to external as well as internal shocks.

Another feature of Pakistan's exports is heavy dependence upon low value added items such as rice, raw cotton, cotton yarn, fish, fruits, and vegetables which constitute one-third in terms of value of exports.

Efforts to reduce the fiscal deficit have been disappointing in Pakistan. Two or three major initiatives are still required. First, a dramatic reduction in government administrative expenditure is needed.

The second problem is the public sector. Pakistan needs to open up the public sector to private ownership. Government is putting a lot of money into public sector, and that has to stop. If the public sector cannot generate its own resources, it cannot generate it from government grants alone. It must go to the market. The public sector must be seen as a resource-generator, not as a drain on resources.

Public sector industries in Pakistan have not been performing well in terms of profitability or making efficient use of plant and equipment. Although there are many explanations for the poor performance, it is generally agreed indifferent management is an important cause. In the case of government-run units, the basic problems are how to evaluate performance and how to attract, motivate, and retain good managers. To attract good managers the salary scales of public sector concerns have to be competitive with the private sector. To retain and motivate managers, the reward system should be clearly linked to performance. In the private sector profitability is a convenient measure of management performance. But, in the public sector, profitability is not a proper yardstick to measure performance.

Third, the budget must be growth-oriented. Pakistan cannot afford for the economy to go into a tailspin or a long recession.

The message of the economic reforms is very clear. It should be an export-led growth strategy. Pakistan industry will have to earn its foreign exchange requirements.

CHAPTER 3

Literature Review

The literature review will focus on the dimensions which have enabled researchers to define the nature of strategic alliance partnerships. When brought together, these dimensions form a comprehensive model of the strategic alliances. The model will be employed in this study to explore the nature of a new type of partnership, the strategic alliance partnership.

The dimensions discussed in the literature search- by examining the published case studies, theoretical analysis, experiences and observations of the authors and other researchers are (1) the definitions and the meaning of a strategic alliance: (2) the attributes of a strategic alliance: (3) the reasons for entering into the strategic alliance: and (4) the control and management mechanisms of a strategic alliance. Each of these dimensions will be presented. The literature review begins with the definition of the strategic alliance.

Definitions and the Meaning of a Strategic Alliance

As Mytelka (1987) points out, there is, as yet no single generally accepted definition of a strategic alliance. She defines the strategic alliance as "a long term agreement among firms designed to deal with the uncertainties of technological change". For their part, Hull and Slowinski (1988) define the strategic alliance as "an inter-organisational relationship that pools the talents and resources of two firms and focuses them on a project". An increasing number of writers have in recent years begun applying military concepts to management and marketing (Kotler, 1981). Tradinally, an "alliance" may be defined as the joining of forces and resources, for a specified or indefinite period, to achieve a common objective. There are several key elements in such alliances, they are:

a) a joint effort or agreement to ward off common "enemies" (or competitors);

b) a commitment by two or more parties to share responsibilities equally or in relation to their relative strength;

c) a sharing of knowledge or information between the parties by way of trading or skills exchange;

d) usually stipulated within a time frame or have defined objectives.

e) formation of trust which translates into a focus on long-term gain over the short-term profit.

While the term alliances is also relevant in a business context- such as joint capital ventures and joint marketing programmes- the term "strategic" provides an additional dimension to the definition. There are a number of components which lead to strategic decisions are as follows.

a) **Strategic issues which have a futuristic vision.** Strategies are based on what managers anticipate or forecast rather than what they know. In the turbulent competitive free enterprise environment, a successful firm must take a proactive stance towards change (Robinson, 1988).

b) **Strategic issues that have an impact on multi-functional or multi-business environments.** Decisions about such factors as customer mix, competitive emphasis or organisational structure involve a number of strategic business units and functions. Strategy is the method to achieve and sustain competitive advantage and, as such, it must be approached in a relative sense. Strategies are designs to win relative to a specific competitor or group of competitors (Mc Farlan, 1990).

c) **Strategic issues that necessitate consideration of factors in the firm's external environment.** If a firm is to succeed in positioning itself in future competitive situations, its management needs to look beyond its own operations. They need to consider customers, competitors, government and vendors. It needs to explore markets and technology combinations as well as a host of other environmental factors (Konsynski,1987).

There are a number of forces that could lead to a strategic alliance being formed. On one side of the spectrum is the user and on the other the suppliers. Both these groups are driven by interacting forces imposed on them by competition and environmental influences. Both parties (technology vendors and financial institutions) face competition from within their own groups in terms of market share, products and services as well as technology leadership.

Types of Alliances

There are a wide range of alternative forms of alliances, each possesses different features. Their respective relevance will obviously depend on the relevant parties' needs and expectations (Takac, 1992).

The purpose and composition of operation alliances most frequently relate to:

a) **joint marketing alliances.** Through information technology organisations have the option of forming alliances with other organisations to gain some form of advantage of specialization. An example of this relates to the range of travel companies which use electronic facilities to develop combined marketing programmes and/or booking facilities.

   Marketing alliances enable organizations to gain access to new customers and territories as well as achieve economies of sale through cost sharing. Marketing alliances can either be of an offensive or defensive in nature.

   Joint marketing alliances include agricultural cooperatives in the United States, which advertise and lobby as a single group on behalf of agricultural firms, as well as more formal distribution enterprises put together by local businesses and foreign manufacturers desiring to enter an overseas market (James Jr. and Weidenbaum, 1993).

Joint marketing alliances are numerous. In automobiles, Nissan distributes Volkswagens in Japan; Volkswagen sells Nissan's four-wheel-drive cars in Europe. In pharmaceutical, Marion-Merrill-Dow distributes Tanabe's Herbesser and Chugai's ulcerim in the United States, while Merck markets Yamanouchi's Gaster, and Eli Lilly sells Fujisawa's Cefamezin. In Japan, Shionogi distributes Lilly's Ceclor as Kefral. Sankyo distributes Squibb's Capoten; Takeda, Bayer's Adalat; and Fujisawa, Smith Kline's Tagamet.

b) **Intra-industry alliance.** The most productive alliances tend to take place not among organizations offering complementary services, but among small or mid-sized competitors who see an opportunity or a need to pool resources by so doing they are able to collect necessary skills and capital. A typical example relates to accommodation establishments that join forces to develop a jointly operated electronic marketing and booking service. This is often the result of medium sized companies deciding to work jointly to protect themselves from a major corporation dominating the market.

(c) **Customer-supplier alliance.** Suppliers with increasing frequency are setting up data networks and other such facilities in conjunction with customer organizations as a way of improving service. The development of electronic data interchange between retailers and suppliers is an example of this. The tendency, however, is still all too often for this not to take place until a relationship is threatened by an emerging or developing competitive force.

(d) **Information Technology vender-driven alliance.** A technology vendor may bring its technology to a new market by entering a partnership with an industry participant willing to implement/adopt the technology (Cornell, 1989).

An information vendor is also able to form research alliances with major customers. Examples of this relate to beta sites - where a manufacturer tests a new technology with select customers to de-bug or understand it better. Such arrangements provide advantages to both parties - vendor gain valuable insight into the practical field problems associated with their technology. Furthermore, their ability to resolve their customer's problems, especially the problems of prestige accounts, give vendor's sales forces highly visible references for further promotion. The customer learns about and participates in a new technology that may otherwise be beyond its skill and financial resources.

Kanter (1990) defines that strategic alliances are a potent way to do more with less. Strategic alliances permit the company to remain lean, controlling costs, while gaining access to more capacity than what is owned or employed directly. Thompson (1993) adds that strategic alliances blur the boundaries between organizations, permitting them to take advantage of one another capacities and to coordinate their activities for mutual benefit. Post-entrepreneurial companies find a number of benefits in coalitions with other companies : information access, windows on technology, speed of action, and mutual accommodation to innovation.

Laycock (1993) believes that strategic alliances are an expedient way to crack new market, gain skills, broaden geographical scope, and expand services. Perhaps of even greater significance is the ability to control costs by sharing resources. In another definition, differences in partner size is emphasized:"...it is a powerful vehicle to link and marry complementary strengths of large and small companies" (Herther, 1986).

It would be an overstatement to say that all strategic alliances are successful. Robert (1992) observed that many strategic alliances fail because they are being formed for wrong reasons. Mason (1993) adds that there needs to be a good chemistry fit as well as an operation fit between the companies and that the partners must be equal in terms of risk and the contribution to the alliance. Studies by Adams (1992), Lewis (1991) and Phillips (1991) established that the strategic alliance, which requires distinct organisational practices, new job definitions, new ways of managing, and even a redefinition of the firms, may be competitive weapons in 1990. How well a firm benefits from strategic alliances depends on how it works on the inside. Strategic alliances are not easy to create and maintain, but they may be the only way to enter foreign markets. Because of uncertainty and discomfort, the feeling remains that the alliances must be closely managed and controlled so as not to "get out of hand".

Strategic alliances need clearly articulated ground rules and goals. Any agreement should detail procedures for revaluing partners' shares and rethinking the partnership's direction. No rules can guarantee a happy marriage, but these pointers can do a lot to bring down the rate of divorce.

Classifications of Strategic Alliance.

Collazo (1993) tries to fit strategic alliance into three basic classifications of trading, functional and dynamic alliances. A trading alliance is straightforward, nothing more than buyers and sellers forming a largely passive sales-and-distribution or export-import arrangement based on contractual terms. A functional alliance integrates certain business function between the two parties of pooling efforts to attain specific goals and establish on-going management relationships. Companies generally form functional alliance to strengthen R&D, distribution or sales. While a functional alliance is more intimate than a trading alliance, a dynamic alliance is a marriage. A dynamic alliance involves the hidden assets of the two parties in terms of the skills, knowledge and capacity necessary to deliver results. Usually, one side of a dynamic alliance is required to change strategy or operation.

Kanter (1990) identifies three categories of strategic alliances; multi-organizational service alliances, opportunistic alliances, and stakeholder alliances. Kanter maintains that stakeholder's alliance provides benefits to suppliers, customers, and employees. The management and struct.. ed goals of the alliance will then be a major impact on these key elements.

Bronder and Rudolf (1992) classify three different forms of strategic alliance on the basis of field of cooperation : horizontal, vertical and diagonal alliances. Horizontal strategic alliances are formed with competitors within the same industry. In this case, anti-trust and other legal aspects must be considered. Horizontal alliances are often formed for R&D purposes. Vertical strategic alliances can be formed with suppliers or customers in several value chain activities. Diagonal strategic alliances are formed with partners from other industries. This type is widely used in the electronics and computer industries.

According to James and Weidenbaum (1993) strategic alliances are typically characterized in one of two different ways. The first, called a vertical, complementary, or x-type, involves agreement to cooperate in complementary activities. For instance, one firm may concentrate on the design and development of the product, while the other manufactures it.

The other type of strategic alliance, often referred to as a horizontal joint, or y-type, involves cooperation within the same activity, such as a joint R&D. Horizontal agreements are common in the aerospace industry, in which firms share the high cost and great risk involved in developing a new generation of jet airliners.

Strategic alliances can take several different forms, depending on the specific nature of the objectives of the participating businesses. For instance, firms may cooperate with other domestic companies to increase market share or to protect market share from foreign competitors. Strategic alliances may be formed with domestic companies for essentially domestic reasons, but the association may be extend to international markets.

Murray and Mahon (1993) classify two forms of alliances among the organizations in different combinations relating to their strengths, resources, and leadership: (1) equals (all participants strong, or all participants weak; or (2) mixed (strong/weak or weak/strong). These combinations lead to different durations and levels of stability.

Alliances of Equals types of alliances are essentially made between equals, or similar resource strength, as defined by size, share of the market, financial strength. In these situations, the market characteristics tend to reflect competitive pressures, and the market themselves may be at the mature or declining stage. It is clear to the participants that a reduction in the number of the competitors is going to occur, and only the largest and best will survive.

In the case where organizations are equally strong, issues will arise over the rules and agreements if the alliance and over mutuality of benefits. A key factor in the success of the alliance is the degree to which all parties see the areas of benefits and that those benefits achieved exceed alternative choices. Murray and Mahon point out that this type of alliance activity is relatively long in duration and very stable.

Alliances of Weak Partners is possible where all the partners are relatively weak. In this situation, the characteristics can be the same as for equally strong partners. One difference may lie in the technological area. No partner may have the needed technology or, if only one has it, there may be insufficient capital to develop it. The key issue is one of survival. The notion of synergy is vital to success of this alliance, and often the partners merge into one entity. This type of alliance tends to be the most unstable and of limited duration. This is so because the partners bring few resources and hence little value to the relationship.

Mixed Alliances occur among partners of differing strengths relative to one another. Some market characteristics of such alliances include specialized niches that one partner controls, or one partner control access to a specific market or country, or one partner has political clout, and so forth.

Murray and Mahon (1993) point out that one partner may control the technology or access to that technology if the political situation is stable or unstable. Key issues revolve around the independence of the weaker partner, and what precise benefits the weaker partner will receive out of the alliance. An outcome that frequently occurs is that the weaker partner is eventually acquired. This type of alliance can be very stable and of long duration, provided the weaker partner is treated fairly and well. The relative position of the weaker partner can change dramatically with a change in political situation. The closing of markets, for example, can elevate the importance and bargaining leverage of a weaker or equal partner overnight.

It would seem that differences of opinion as to what constitutes a strategic partnership are centred around the question of the structure of the arrangement. For example, Hull and Slowinski (1988) argue that joint-venture and acquisitions are different from strategic partnerships, whereas Venture Economics (1986) include them in their definition of a strategic partnership. Baranson (1990) discusses the fundamental differences between traditional joint venture and the new generation of strategic alliances. International joint ventures are legally binding agreement stipulating resource commitments, financial investments, management structure and profit sharing. Strategic alliances are more in the nature of "memoranda of understanding" which both set forth basic business objectives to co-market, co-develop and /or co-produce products and services and outline decision making mechanisms on business agendas, resource commitment and distribution of returns. Baranson (1990) points out that strategic alliances contain statements of intent, and operational procedures, and therefore are more flexible and open-ended than joint ventures. Mutual trust and complementaries in decision making and operational control are two other distinguish characteristics of strategic alliances.

Though these differences of opinion may persist, there is nonetheless consensus in the literature that in order for an arrangement to be called a "strategic partnership", it must be strategic in nature. As such, the strategic partnership is "...a central aspect of a company's future direction, and is specifically concerned with securing, maintaining or enhancing a company's competitive advantage" (Devlin and Bleackley, 1988).

Overall it is difficult to find an all encompassing definition because strategic alliances, by their very nature , have a unique application to each organisation. In order to impose some consistency and overcome the loose application of the term, our preference is to advocate the following definition.

Strategic alliance is the **management** of an **agreement** between parties to work jointly on a project (s), that is designed to achieve a **strategic objective**. The value to be gained should be **measurable** over a specified time span.

The preferred definition captures four key factors:

1) **Management.** For the projects (under alliance) to succeed, the alliance must be effectively managed in terms of establishing appropriate structures, developing procedures, monitoring checkpoints and building trust and confidence in the entire relationship on an on going basis. The ability to structure and manage is a key factor in the success of an alliance (Porter, 1980). Building trust and maintaining good communication is essential. The management function should include the maintenance of an information equilibrium between the parties in order to ensure that useful information on research, product design, development, marketing and implementation is fairly exchanged.

2) **Agreement.** In a strategic alliance the agreement could be in the form of a contract or a formal declaration to work jointly. The agreement is designed to set the ground rules and expectations of each of the parties. For strategic alliances to gain acceptance throughout the organization, the agreement should be signed by the Chief Executive

Officer and terminated at that level.

3) **Strategic objectives.** This term implies that a significant shift should occur in business outcomes and commercial arrangements of **both** consenting partners. The end result of a strategic alliance should give both parties a substantive market, technology, or cost benefit.

4) **Measurability.** The fourth element defined is that the value of strategic alliances should be measurable either in qualitative or quantitative terms. While some aspects could be identified in terms of return on investment, discount levels, cost savings and productivity gains, the overall success or failure is one of the most difficult aspects to measure. This is largely due to the lack of information and reliability of the measuring mechanisms currently available. Because of these problems it is important to define expectations as well as agreed benchmarks to enable relevant progress and achievement to be judged, prior to the alliance being forged.

Attributes of a Strategic Alliance

This section discusses the presence of strategic objectives, the long-term nature of the agreement, formation of alliance on the basis of trust, the exchange of complementary resources, collaboration in decision making, and champion for the partnership in each organisation.

The decision to engage in a alliance and the choice of a partner are both functions of the strategic objectives (Mytelka,1987). Madu (1988) adds that it success depends on harmonizing in the interest of both the firms. Hendryx (1986) and Henry.D. (1991) stress on the strong commitment by both the parties for a successful and effective alliance. Pozanski (1984) puts lack of leadership and commitment as a major factors impeding the collaboration process.

Bleeke and Ernst (1991) maintain that the ability to emerge beyond initial expectations and objectives are important for success of an alliance. Ekholm (1988) concludes that alliance will be successful if there is mutual tolerance, respect, dedication and gain. Van de Ven (1976) describes partner behaviour aimed at collective and self-interest goals as one of the basic characteristics of inter-organisational relationships. Doz (1988) observes that a minimum set of operational goals are needed for partnerships to succeed. Doz further suggests that relatively early on in the process of cooperation, the purpose of two partners (at least in the restricted area of the partnership) are made to coverage, though this may be difficult to achieve because of cultural distance and hidden agendas. The term "strategic objective" is interpreted here along the lines of Devlin and Bleackley's definition, to mean those objectives which focus on the future direction of the company and which aim at enhancing the company's competitive position.

The second attribute of a strategic alliance is the long-term nature of the agreement. Most joint ventures tend to be short term. Harrigan (1985) points out that in joint ventures, parents often find they differ in their long-term objectives. A strategic alliance is a longer-lived partnership with a supplier, customers, competitors, university or a combination of the four that directly supports one's strategic long term objective (Kanter, 1990). Mytelka (1987) emphasizes the long duration of strategic alliances "...strategic partnerships imply longer term considerations than those behind other types of ventures concerned with short term profits". Many relationships die an early death when they are scrutinized for quick returns (Kanter, 1994).

The Asian cultures are some of the most ancient and fully developed cultures existing today, and as such, they place great value on hierarchy, conformity acceptance of the group consciousness, and, most importantly, patience (Kraar, 1991). The Asian culture emphasis on patience and long term focus strongly influences the approach towards alliances. Asian firms view alliances as long-term relationships based on mutual trust which takes many years to develop (Tucker et al, 1991). A common characteristic shared by American companies successful in Asia is a long-term vision and a commitment to invest steadily for as long as a decades (Kraar 1991).

Third attribute of a strategic alliance is the trust. Badger et al (1992) emphasize that alliance relationship must be based on trust. The real" essence" of an alliance is based on trust and mutual concerns for each participant's business needs. The alliance concept includes an understanding that one party will not try to take advantage of the other to satisfy short term gains. Ford's President, Philip Benton Jr; thinks the need for trust is yet another reason that

American companies have to lengthen their time horizon on alliance: It is absolutely essential to start slowly to build trust," he insists" (Sherman,1992).

Epoch's CEO, Elliot M. Katzman says "where I have seen things go wrong with strategic alliance partnership is where everybody emphasizes only the contract, not the relationship" (Henry,L. 1991). "You have to build trust, so that as the businesses change on both sides, you can move with those changes and deal with them effectively. Another way to look at it is that the opportunities of tomorrow are what you want to deal with, not the opportunities of today. You don't know what those opportunities of tomorrow are going to be. Relationships allow you to capture them" (Henry,L. 1991). This is due to fact that alliances are governed by the performance of each partner and the relationship as a whole, not by contract. Each partner must have the trust that the other will do what is right for the relationship. It is virtually impossible for a long-term relationship, such as an alliance success without mutual trust.

Fourth, a strategic alliance is characterized by the exchange of complementary resources. Partners offer complementary products, facilities, skills and technologies. In a survey of entrepreneurial firms who entered into strategic alliance partnerships with large firms, Hull, Slowinski & Collins (1988) found that each partner brought a bundle of complementary resources to the partnership beyond financing, including technology, marketing, manufacturing capability, and management skills. Doz (1988) performed exploratory research on selected strategic alliance partnerships and concluded the complementary assets brought to the partnership were generally obvious at the start or even prior to negotiations.

The fifth attributes, alliance in decision-making, refers to shared influence by partners in various areas of activity (Hull and Slowinski, 1988). Hull and Slowinski reason that shared influence in appropriate measure of alliance because those partners who attribute a lot of influence to other are likely to be highly collaborative. In their study, they observed alliance in decision-making between large and small firms in each of the following areas: financing, technology, manufacturing, marketing and management. From the same study, Hull and Slowinski found a significantly positive correlation between the degree of shared influence and the degree of perceived effectiveness of the partnership. They further suggested that the smaller firm should have majority influence in decision-making and the larger firm should have a strong minority influence.

Though shared influence in the focus of our attention in the area of decision-making, it should be noted that the decision-making processes of public and private organisations are not necessarily the same. The literature on public/private organizations suggests that public organisations use more decision criteria, more levels of review, and less individual autonomy and flexibility in decision-making than do private organisations (Rainey et al, 1976). Decisions of public organisations are also more greatly influenced by external sources as public opinion and interest group reactions.

The final attribute is the presence of a champion for the partnership in each of the partner organisations, who serve as a "gate keeper" for the partnership (Hull and Slowinski 1988, Doz 1988). The role of the champion is to coordinate or "broker" relationships between the partner and different functions of the champion's own organisation, as the partnership's product moves downstream from R&D towards commercialization (Hull and Slowinski, 1988). A champion is also an advocate for the partnership within his or her own organisation. Principal liaisons (also known as interface managers), who may perceive themselves as champions, often have entrepreneurial characteristics including a high degree of personal risk-taking and the ability to assimilate ways of doing things from their partner. In many cases, these individuals are adopted by the partner organisation (Doz, 1988).

Frequent communications between principal liaisons, and between other members of each organization, is associated with the effectiveness of the partnership. Bleeke and Ernst found that the greater the frequency of cross-communication, the more highly effective a partnership was rated. They also found that frequency of communications was related to effectiveness in cross-disciplinary contacts. In summary then, the literature suggests that a strategic partnership exhibits certain attributes which help to define its list of attributes may not be exhaustive, since empirical research in this area is quite recent and not necessarily complete. The purpose of identifying these key attributes has been to provide a basic form which the attributes of the alliance partnership can be explored.

Reasons for Entering into a Strategic Alliance

The motivation for forming strategic alliances begins with a simple confession "There is simply no way in the future for one company to do it all" (James Jr. and Weidenbaum, 1993). Having reached this conclusion, firms begin searching out suitable partners.

Habibie (1990) remarks that the most significant motivations are the possibility of an opening to expand their markets, to increase their sales volume and to raise R&D funds. Utilization of cheap labour and raw materials in the less developed countries and countering competitive pressures at home are some of their possible goals (Derakhshani, 1984; Sweeney, 1970). Quintona (1984) shows that collaboration between developed countries and less developed countries can benefit both countries by assuring business and employment in both countries.

Many of the alliances created in the 1980s and 1990s were different in form and motivation from those formed in previous decades. This is not to say these institutional forms never existed prior to the 1980s, but only they are rapidly becoming a common method of producing goods and services. Strategic alliances are replacing the giant conglomerates with multi-divisional forms, which dominated during the middle of centaury (Alderich & Muller, 1982). The multinational provided the proprietary technology, and the local partner market-specific knowledge and political acceptability (Lecraw, 1984; Reynolds, 1984; Beamish, 1985). The trend since the early 1980s seems to be towards alliances where both parties are large multinationals, while market access has remained an important incentive for collaboration (Abegglen, 1982; Christopher, 1986; Root, 1988), co-development and co-production have become equally important.

For the partners, an alliance may be a means of trading access to each other's skills...what might be termed **quasi-internalization**, or a mechanism for actually acquiring a partner's skills...**de facto internalization**.

Strategic alliance may be a more efficient way of acquiring skills than through internal development. Strategic alliances may offer advantage of timeliness as well as efficiency. Alliances may be seen as a way of short-circuiting the process of skill acquisition. A strategic alliance is preferred not because the requisite skills are prohibitively expensive to develop in house, but because there may be enormous opportunity costs to being a perpetual follower.
In buying a company the acquirer must pay for nondistinctive assets as well as firm-specific skills. Additionally, there is the cost of assimilating the people and process, structure and strategies of the acquired firm. Hull and Slowinski (1988) studied the motivations for strategic alliance between large and small firms. They found that small firms placed more importance on financing and marketing as reasons for strategic alliance; whereas large firms were more interested in access to technology. As reasons for strategic alliance, access to manufacturing capability and management skills were equally important to large and small firms. Herther (1986) also studied the motivations of large and small companies entering into strategic alliances. Herther found that the small firm sought may benefits from the strategic alliance, including an infusion of cash to fund development, immediate credibility from association with the large firm, a "free consultant" from the large firm. The large firm sought to leverage external technology

and accelerate the new product development process (Herther, 1986).

Followings are main reasons for entering into a strategic alliances.

(1) To access technology and/or manufacturing capabilities

Magee (1992) estimates that U.S manufacturing companies obtain up to 80 percent of their technology from outside sources. The key to technological competitiveness is an ability to manage a portfolio of technologies that have become increasingly complex and more integrated. But the increasingly complexity of technology, the rising costs of R&D, and the need to integrate new technology quickly to obtain maximum advantage have made it nearly impossible for companies to develop internally all the technology they need. Magee stresses that in the case of proprietary or highly specialized technologies, strategic alliances may be the only option.

Since consumers are more discriminating, more educated, and have higher expectations of products and services, organizations must make larger investments in research and productions in order to produce quality. In order to lower costs and risks, organizations wish to spread the costs and risks to others (Contractor & Lorange, 1988). By forming strategic alliance, they share equally in the costs and benefits of the market research and development and quickly gain expertise in other needed areas (Hladik, 1988; Moxon et al, 1988; Powell, 1990).

Alliances are almost always the fastest and most cost-effective way to gain technological competence. Badger et al (1992) indicate that lesser developed nations seek out alliances as a method to gain access to the technological capability to the alliance partner. This allows entry into foreign markets that could be closed to those with no technical design expertise. The dominant firm recognizes that the down side to forming these alliances is the potential training of future competition.

Hamel (1991) says that strategic alliance may be seen as a way of short-circuiting the process of skills acquisition and thus avoiding the opportunity cost of being a perpetual follower. Enormous potential synergies arise from the sharing and transfer of resources between the companies (Roberts, 1980). This is especially true in industries going through a technological revolution. Radical technological innovations often originate from new ventures' research on the leading edge of technology. Access to this know-how enables firms with more traditional technology to leapfrog their competitors. On the other hand, the partners possess distinct strengths too such as national or global systems of distribution channels and established reputations, which permit a rapid market penetration on a large scale. This, in turn, is a pre-condition of amortizing R&D costs in industries where technologies become obsolete fast (Contractor and Lorange, 1988).

"Given the complex nature of today's factory automation requirements, no single company can honesty claim to be all things to all customers. Therefore, it makes good business sense to leverage the expertise and experience of both companies for the benefit of manufacturers seeking automation advice and products," said Louis A. Hartheimer, President of precision (Weimer, 1988). He added, "In the process, manufacturers get the best of both companies' efforts and knowledge ". William G. Rankin, General manager of Deere Tech services said, "Product

Development is faster, and the whole process is more economical when we concentrate and capitalize on strength of each company. This resulting product is better, it reaches the market place quicker, and we have increased capabilities to sell and support it, and the economies are reflected in the product prices" (Weimer, 1988).

Lewis (1990), points out that technology is relentlessly changing our world. Lewis stresses that technology has become so important to our lives that, for several decades, R&D growth has outpaced economic growth in the major industrial nations. R&D cooperation between organizations-businesses, universities, and government laboratories has been steadily rising. Lewis says that cooperation is already a strong and growing force. One remarkable feature of this trend is that, cooperation has grown faster than R&D. Lewis emphasises that technology transfers from outside expand the variety of internal skills a firm can use, opening new avenues for its own developments.

(2) To obtain access to market.

Badger et al (1992) point out that the entry into new market areas is generally motivated by a firms desire to grow and establish a more permanent relationship with a foreign entity. Forming a strategic alliance with a local firm may lead to business in a new markets or increase a firm's competitiveness in the current market. Both cases should increase the firm's market share. Magee (1992) stresses that speed to enter into market is particularly important: The greatest share of profits usually comes at the beginning of a product's life cycle. In some highly competitive sectors, such as the computer industry, beginning late to market can spell the death of a product. If a company is sufficiently quick to market, it can pre-empt competition and lock up market share. Since development and perfection of technology is one of the most time-consuming parts of product development, outsourcing key technology can dramatically cut lead time.

Harrigan (1985) points out that some market opportunities evaporates within months if they are not exploited quickly. High technology products, in particular, need faster market penetration in order to place them into distribution channels and consumers' hands before products become obsolete. It is especially important to have access to international linkages as it become increasingly expensive to read key markets quickly, particularly when the half-life of a technology is very short and firms can scarely capture their development costs. He further stressed that firms obtained relatively easy access to expertise and to distribution outlets through strategic alliances and moved faster in securing market share than if they had to develop these assets on their own.

Tom Peters states," there is a paradox - as competition increases , so does cooperation" (Dent, 1990). Dent gives an example, one company reduced its advertising costs 40 percent, avoided a half - million dollar investment in testing equipment, and gained access to border markets at the same margins as its own speciality markets without ever having to perform the sales function in these markets. The company accomplished this, with no loss of control over any aspect of its operation , through long-term marketing agreement with a larger company in its field. Such alliances are not only potentially profitable, they will become increasingly necessary to complete in the nineties. Dent points out that currently two "mega trends" are reshaping the way business is done. The first is the growing world market place. The outcome has been the increasing homogenization of huge multinational corporations. The second mega trend is the shift towards customized goods and services. The result has been the division of mass markets into many market niches, and the burgeoning growth of small businesses and entrepreneurs.

Dent emphasizes that it will not be sufficient to be big and multinational with the advantages in costs, finance, distribution, and service that large companies possess. Nor will it be enough to be "small" and entrepreneurial, with the advantage of innovation and rapid customer responsiveness. Organisations, large and small will have to increasingly "network" - i.e; enter into strategic alliances - to achieve success.

What are the advantages of strategic alliances? " It's like having a fighter who can move like a lightweight and hit like a heavyweight", claims an IBM director. Alliance firms will be able to effectively bring both economies of scale and customer responsiveness to the market place. Large companies are progressively moving into smaller market segments as their past mass-markets come to an end. But more important, many small business niche markets are entering into the stream.

(3) Risk sharing.

Alliances allow risk to be easily shared and distributed among the members. This helps to alleviate the uncertainty of changes inherent in the new geographic locations, new technologies, increased sizes and culturally different areas (Badger et al, 1992). Entering new markets is much more risky business than it was several years ago. In the past, a company could enter a new market, open a regional office, and conduct business with virtually no competition. Today, there is tough competition in every market in the world.

Singh (1993) stresses that only few firms can afford to take the kind of risk involved in entering a new market on their own. Alliances allow firms to introduce their operations into markets, while sharing risks with other firms. This is especially true when entering a new country. By forming an alliance with a firm from that country, this alliance partner with the local expertise will minimize the other partner's risk by working through the local bureaucracy, assisting in customs clearance, certifying work, obtaining payment, and accessing the local labor market. The local partner can also negotiate for lower labor costs and benefits because it is already established and understand the local labor market. Badger et al (1992) say that less risk normally translates into smaller profit margin. However, in the long-run, an alliance is typically a "win/win" situation in which both parties will ultimately profit.

Philips (1991) says that an organisation may contemplate an investment in a foreign country in circumstances where political stability is uncertain, where the political landscape is changing in unpredictable directions, and/or where a native guide is needed to provide local knowledge and contacts.

Murray and Mahon (1993) indicate that as turbulence and uncertainty increase, the more likely that an alliance can reduce or at least spread the risk. The coming unity of Europe is just such an increase in environmental turbulence and uncertainty. Political, economic, social, and bureaucratic rules and relationships are about to change in unknown directions with uncertain implications and impacts.

(4) To achieve or ensure competitive parity.

This rationale for alliance actively can be either offensive or defensive in nature. It is based upon a preemptive competitive alliance to block another organisation's action or to assure parity with a stronger industry rival. Hamel, Doz, and Prahalad (1989) emphasize the importance of learning in strategic alliances, and this learning is the mechanism by which competitors learn from each other to either obtain a parity they did not have initially, or to prevent any loss of parity, once it has been achieved.

The following list summarizes the reasons for alliance as described in the strategic alliance literature:

1) risk sharing- (Powell, 1990; Contractor and Lorange, 1988; Mytelka, 1987; Harrigan, 1985; Singh, 1993; Badger et al, 1992; Murray and Mahon, 1993; Badaracco, 1991; Philips, 1991)
2) financing- funding development, reducing its costs (Herther, 1986; Hull and Slowinski, 1988; Develin and Bleackly, 1988; Harrigan,1985)
3) gaining credibility from association with the partner (Herther, 1986; Hull and Slowinski, 1988)
4) speed- to accelerate new product development (Herther, 1986; Harrigan, 1985)
5) related and unrelated diversification (Venture Economics, 1987)
6) new technology access (Hull and slowinski, 1988; Venture Economics, 1986; Mytelka, 1987; Magee, 1992; Badger et al, 1992; Hamel, 1991; Weimer, 1988; Lewis, 1990)
7) enhancing profitability (Badger et al, 1992) ; Harrigan, 1985
8) market access (Powell, 1990; Mytelka, 1987; Herther, 1986; Badger et al, 1992; Magee, 1992; Dent, 1990)

Control And Management Mechanisms of a Strategic Alliance

The literature discusses the mechanisms by which control and management are achieved in strategic alliance. These mechanisms are the contractual provisions of the agreement and subsequent monitoring practices of the partners. Control of the jointly owned entity and the power to take decisions are identified by Derakhshani (1984) as a very significant factor affecting the collaboration process. Voll (1980) observes that many developing countries are very concerned about the control. Their leaders often believe that foreigners are trying to influence the decisions affecting their economies. Alliances are much easier to form than to manage (Slowinski, 1992). Magee (1992) suggests that partners in strategic alliance must manage the alliance to achieve rewards while minimizing risks. Control issues are rooted in the different objectives and perspectives of the alliance partners. Typical issues involve control, the shifting balance of power within an alliance, and the fear of losing competitive advantage. Control problems reflect the balance of power in an alliance. Because the balance can shift periodically, this is an ongoing source of instability.

Magee (1992) points out that power struggles sparkled by incompatible personnel can be magnified in alliances. When alliances are pursued opportunistically, a lack of leadership can result in lack of direction. A strategy that utilizes alliances is, like any other, no better than its implementation. Its success depends, in part, on how well the alliances are managed (Badaracco,1991). But what does management consist of? Managing alliances, particularly knowledge links, is a process of learning, creating, sharing, and controlling knowledge. To manage the boundaries of the firm, managers are determining when and how knowledge and skills will move into and out of their organisations. To succeed, managers frequently must break down the walls around their firms and teach their organisation to learn in new, often uncomfortable and threatening ways. Bronder and Pritzi (1992) point out the best point for understanding how to manage alliances is an examination of the factors that encourage or impede the acquisition, communication, and creation of knowledge within an organisation. These factors do not fit neatly together in a formulae, and their relative weight varies from situation to situation. They include: a clear sense of a project's objectives; incentives to share and build knov·ledge and skills; the right basic resources and capabilities; a champion or leadership team with strong personal commitment to the endeavour's success; a sense of teamwork and purpose among participants at all levels; encouragement, albeit within limits, to experiment, fail, and try again; a sense of trust among the individual and groups expected to contribute knowledge, skills, and resources; and support from senior management.

Trust and commitment are imperiled when organisations with different cultures must communicate and work together. This problem is especially serious when the allies have a long history of antagonism. Partners may also need to reconcile different management systems-for accounting, compensation, promotions, and reporting. Speigal (1993) says that strong leadership may be less likely to emerge in a joint enterprise for which two or more bosses are ultimately responsible; such arrangements violate Napoleon's maxim that one bad general does better than two good ones (Badaracco, 1991).

Alliances that overcome these challenges can help companies prosper in a world of knowledge-intensive completion. They can be created by managers with different skills and styles-as long as, ultimately, the basic following conditions are met.

The first condition is that managers considering an alliance must have a clear, strategic understanding of their company's current capabilities and the capabilities it will need in the future. Robert (1992) says that in a world of knowledge-driven competition and fleeting product-based advantages, firms must be understood as pools of embedded knowledge and capabilities. This, not plants or cash or even planted technology, is their fundamental asset. A firm's core knowledge, capabilities, and skills can be identified through the following questions. Which individuals have the craftsman-like knowledge, born of special talent and particular experience? Which teams and groups "know" how to do things to make things better, faster, and more efficiently than their competitors? What are the crucial links, formal and informal, through which the company orchestrates these pools of individual and small-group talent? What relationships with external parties are vital conduits for bringing new skills and capabilities into the company?

According to Prahalad and Hamel (1990), the central questions are: What knowledge does a company need to meet its long-term strategic goals? Which capabilities will give it an advantage over its competitors three to five years hence? Risks to a firm's capabilities can be uncovered by asking: What is the half-life of the core capabilities of a company? Which competitors are aiming to replicate or improve on these capabilities and the products or services that they make possible?

Sustained strength is strength continually renewed. Yorke (1986) points out that it rests upon the ability to create and replenish knowledge and capabilities through unique combination of internal efforts, market transactions, merger and acquisitions, and product and knowledge links. Embedded knowledge is especially useful to firms, since it buys them time in which they can further build skills and reap profits for reinvestment in better technology, customer support, new products, and so forth.

The second condition is that managers must consider a wide range of possible alliances. Alliances can greatly expand the opportunities managers have to build their companies' core capabilities. According to Posner (1985) the managers have some pivotal decisions to make when they consider possible alliances. (a) The choice of a *partner*. A firm may choose any type of organisation, at home or overseas, as a partner. (b) The *formation* of the relationship. In this the organisations rely upon more flexible arrangements based on long-standing relationship and mutual trust.

The third condition is that before committing their company to an alliance, managers must scrutinize the values, commitment, and capabilities of prospective partners. In order to assess a possible partner's values and culture, a manager must be aware of many varied and often subtle factors. Companies, like other social communities, develop norms of behaviour, symbols, and ways of interpreting the environment. Bronder & Pritzi (1992) indicates that complex cultural differences distinguished firms, not only in the same country, but even in the same city and the same industry.

Some crucial questions that managers must ask are: Does the company make decisions in a centralized or decentralized way? Do its managers seem open or secretive? How do they treat each other? Does the prospective partner seem to value internal cooperation? What relative values does it place on technology, marketing, product quality, and financial results? What attitude toward risk do its customers, suppliers, and competitors think it is?

Dent (1992) points out that there is no checklist that guarantees coverage of all relevant factors, but the answers to question like these help managers to sketch a composite picture of a potential ally. The more closely the two companies' values match, the better a partnership's prospects.

The fourth condition is that managers must understand the risks of opportunism, knowledge leaks, and obsolescence. The question of opportunism and self-interest is especially pressing when partners want to create new knowledge and capabilities. Dealing between companies engaged in knowledge-intensive competition are unlikely to be guided solely by harmony and goodwill. Neiderkolfer (1991) expresses that the race to develop knowledge and capabilities is just as intense, conflict-ridden, and plagued by opportunism as were past battles for crucial resources such as fertile land, capital, and deposits of natural resources. Often, the partners are competing with each other for profits, market share, resources, and knowledge-at the same time as they cooperate. In other cases, they may become competitors in the future.

Doz and Prahald(1989) indicate that alliances, especially knowledge links, create the risk that knowledge and capabilities will flow to partners in unintended and harmful ways, through the actions of technicians or managers who are several levels below the executives responsible for an operation. They stress that in most cases, knowledge and capabilities do not migrate because a firm's partners are devious or predatory.

They further stress that knowledge links, managed carelessly, can become knowledge leaks. Risks such as these are not reasons to shun alliances.

The fifth condition is avoiding undue dependence on alliances. Alliances, in general, should be ways of supplementing and improving a firm's embedded knowledge, not substitutes for internal development. Benjamin (1989) points out that a firm's foremost interest must be in safeguarding and strengthening its core knowledge and skills.

Magee (1992) suggests that when alliances do involve core capabilities, whether directly or indirectly, executives must guard against shifts in the balance of power, manoeuvres by other parties, and the expropriation of vital knowledge or capabilities. Managing a firm's boundaries involves carefully monitoring all of a company's relationships for such dangers. A firm that has large-scale, complex relationships with other organisation should assign a single executive to be "gatekeeper". The gatekeeper is responsible for overseeing all dealings between the organisations (Hamel,1989). A company can sometimes reduce its dependence on an alliance either by creating several similar alliances or by seeking to be the senior partner in the relationship.

The sixth condition is that the partners must come to trust each other. The importance of efforts to build trust is hard to overestimate. Wright (1979) indicates that trust and open communication are indispensable for successful alliances. Openness is paramount in knowledge links because much of what the parties are trying to learn from each other or create together is difficult to communicate. It is often embedded in a firm's practices and culture, and it can only be learned through working relationships that are not hampered by constraints.

When two competitors join forces, the problem of trust becomes even more troublesome. If an alliance encounters difficulty, partners can easily make scapegoats of each other. Neiderkolfer (1991) says that mistrust breeds inflexibility. The parties in a collaboration relationship are dependent on each other. After an alliance is created, managers on both sides should expect to spend a great deal of time trying to make the relationship flourish. The learning process, in organisations usually takes place through a long series of small steps. The accumulation of small successes will reinforce this process.

The seventh condition is that managers must change their core operation and traditional organisations so that they will open to learning from alliances. Successful alliances also depends upon the right relationship between the partnership and the organisations that create it. For example, a company may want to create a knowledge link with a supplier so that the firms can work jointly to develop and test components for a new generation of products. The relationship will probably fail if the buyer does not change its procurement practices. The clerk who sends out purchase orders and chooses the lowest bidder cannot be the focal point of knowledge-driven relationship with suppliers. Instead there must be collaboration among engineering, marketing and research people from both the buyer and the supplier.

The final condition is that alliances must be led, not just managed. Even when it is done brilliantly, organizational design and attention to administrative detail can not ensure the success of an alliance. Singh (1992) stresses that senior executives must clearly communicate the purpose, importance,and legitimacy of each alliance. They also need to set personal examples of commitment, patience, and flexibility, in order to show how concerned they are that the relationship succeed. Flexibility goes hand in hand with patience. Some executives and many middle-level personal have ideas about strategy that are far too rigid for the fluid, knowledge-driven, competition-driven world of alliances. Strategy is the evolution of a central idea over a long period of trial and error. It is a pattern of decisions that evolves over time, under the aegis of a few broad central objectives.

Summary

The dimensions of the strategic alliance as drawn from the literature are first, the definition of strategic alliance; second, the attributes of a strategic alliance; third, the reasons for entering into the strategic alliance relationship; fourth, the control and management mechanisms of the agreement.

Attributes identified in the literature include the presence of strategic objectives, the long-term duration of the agreement, formation of trust, the exchange of complementary resources, shared influence in decisions, and a champion for the partnership in each organization.

Several reasons for strategic alliance partnering have been identified, the most significant being the improvement of the organisation's competitive position. Control and management mechanisms have been identified as specific contractual provisions and monitoring practices. Monitoring practices involve progress reporting, the establishment of an alliance coordination unit, senior management participation, and joint steering committees at many operational levels. The importance of the creation of trust has been identified which is very important for long-term relationship.

CHAPTER 4

Characteristics of the Respondents

Survey were successfully conducted with forty-three companies which are engaged in foreign collaborations. The respondents were all senior officers. Their titles varied, but they all play a major role.

Profile of the Respondents.

Data was collected from companies that are engaged into foreign collaboration . The net worth of the companies selected were more than 50 million Rupees (C$2.27 million)(Fig. 2).

Number of companies contacted	74
Detail information obtained	43 (58%)
Partial infirmation obtained	5 (7%)
No response	23 (31%)
Companies did not complete survey	3 (4%)

Distribution by Ownership of 43 companies. (Fig. 3)

Private sector	34 (79%)
Public sector	9 (21%)

Distribution of 43 Collaborators by Sector. (Fig. 4)

Pharmaceutical and chemical sector	21 (48.9%)
Fuel and power industries	5 (11.6%)
Cable and electrical industries	5 (11.6%)
Food and allied industries	4 (9.3%)
Glass and ceramics industries	2 (4.7%)
Auto & allied industries	2 (4.7%)
Tobacco industries	2 (4.7%)
Leather industries	1 (2.3%)
Leasing company	1 (2.3%)

Net worth of 43 Companies who Responded to the Survey

The net worth of the companies selected were more than 50 million rupees (C$ 2.27 million).

50-100	18 (41.87%)
101-200	13 (30.23%)
201-300	3 (7%)
301-400	2 (4.65%)
401-500	2 (4.65%)
501-600	2 (4.65%)
601-700	2 (4.65%)
701-1500	1 (2.32%)

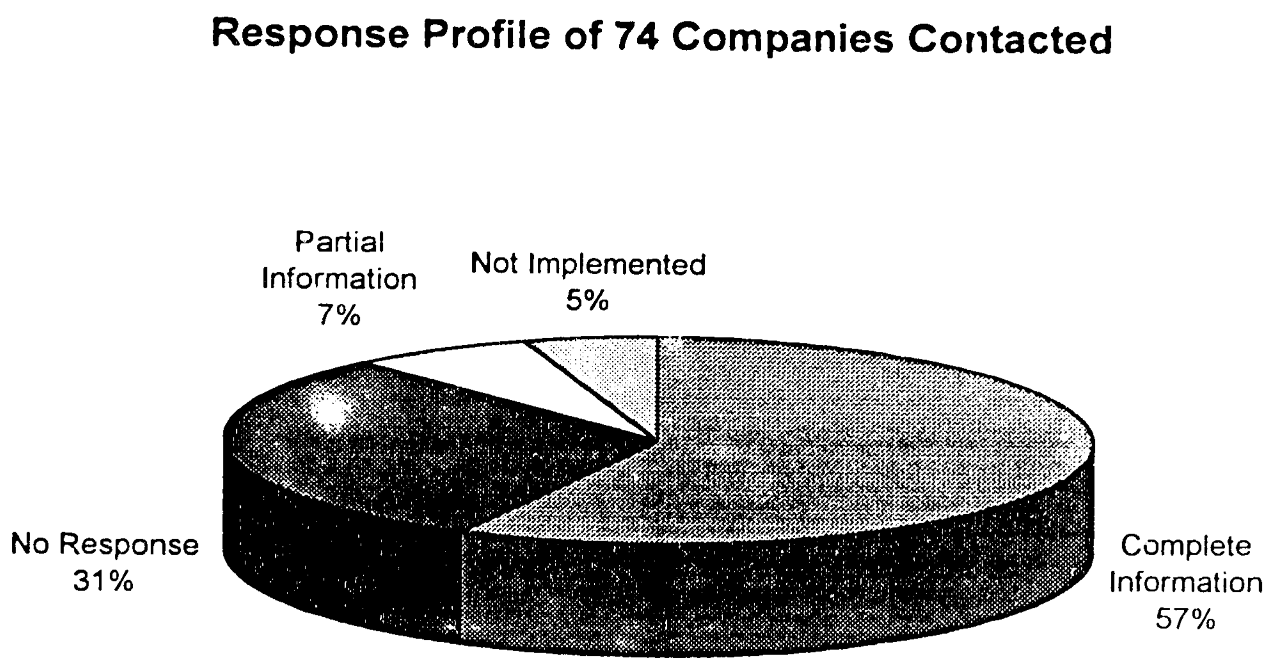
Response Profile of 74 Companies Contacted
Partial Information 7%
Not Implemented 5%
No Response 31%
Complete Information 57%

Figure 2

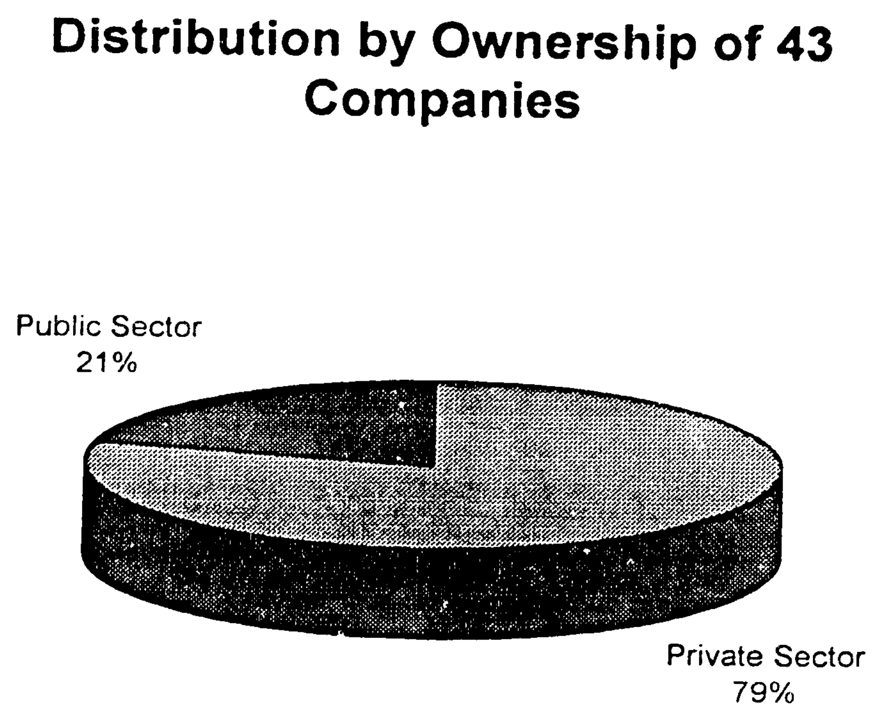
Distribution by Ownership of 43 Companies
Public Sector 21%
Private Sector 79%

Figure 3

Distribution by Sector

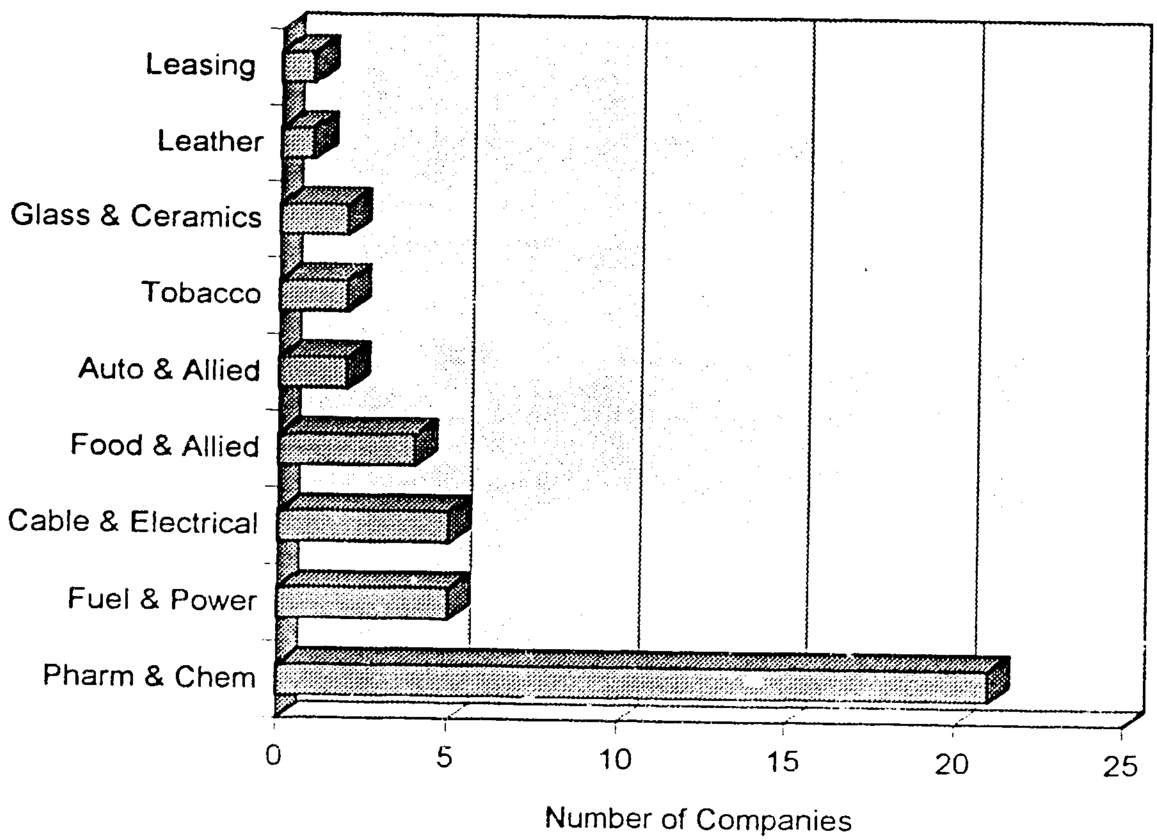

Figure 4

Reasons for Entering into Foreign Collaborations

There are numerous reasons that Pakistani companies to enter into a foreign collaboration (Fig. 5)

To access of technological capability	23 (53%)
To penetrate markets	8 (18%)
To improve the existing production line	6 (14%)
To share risks	4 (10%)
Others	2 (5%)

Characteristics of a Foreign Partner (Fig. 6)

Previous successful business relations	17 (40%)
Reputation in markets	11 (25%)
Latest technology	7 (15%)
Access to a full line of products	5 (12%)
Others	3 (8%)

Types of Collaboration

Joint ventures	27 (63%)
Licensing	11 (25%)
Sub-contracting	4 (10%)
Franchising	1 (2%)

Reasons To Enter Foreign Collaborations

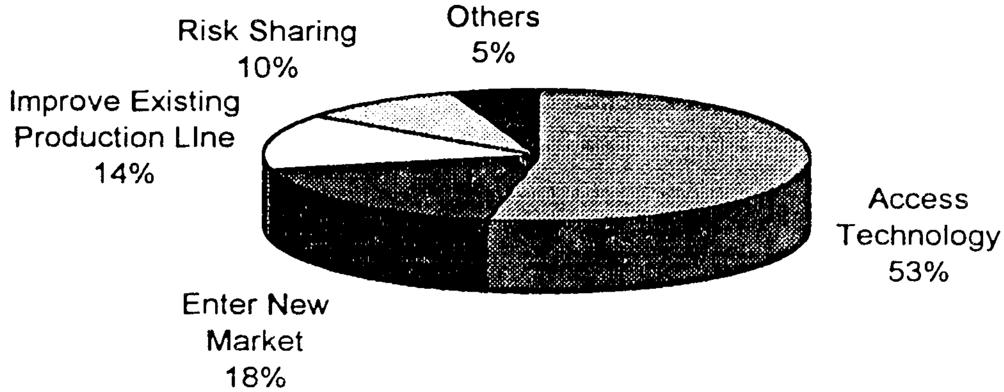

Figure 5

Selection Criteria of a Foreign Partner

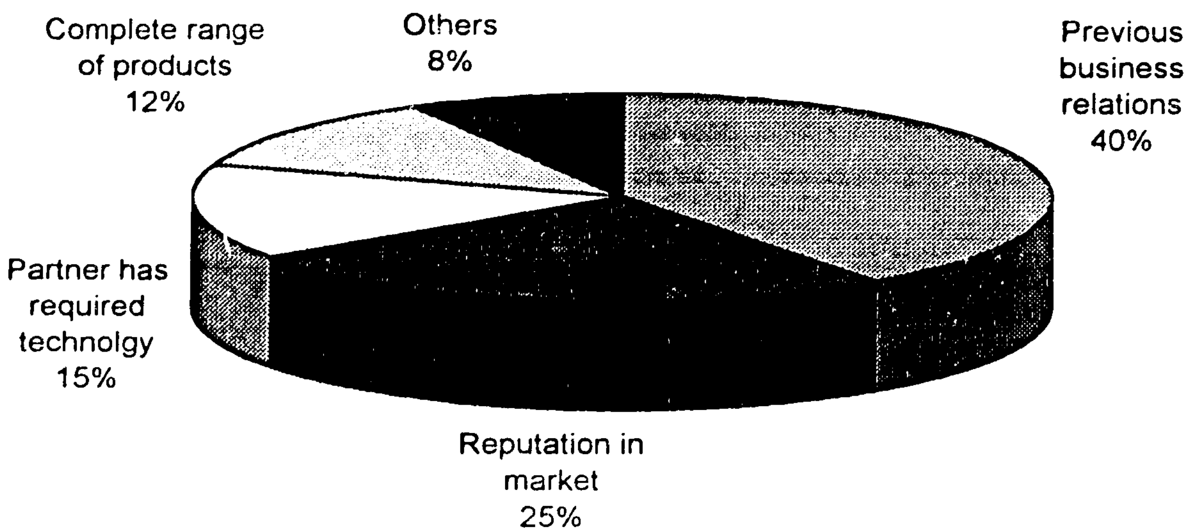

Figure 6

R & D Infrastructure (Fig. 7)

Separate and complete R&D Department	17 (40%)
Partly R&D	11 (25%)
No R&D	15 (35%)

Percentage of Foreign Equity

20-29%	1 (2.3%)
30-39%	2 (4.6%)
40-49%	9 (21%)
50-59%	10 (23.26%)
60-69%	13 (30.23%)
70-79%	8 (18.6%)

R&D Infrastructre of 43 Companies

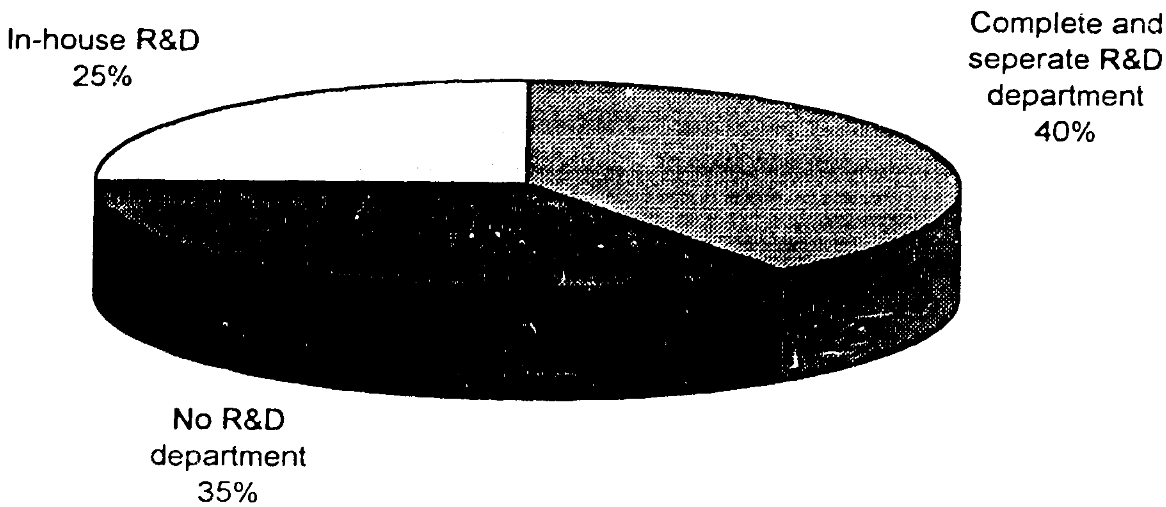

Figure 7

CHAPTER 5

Data Analysis

Data analysis is an ongoing cyclical integrated into all phases of qualitative research (Mcmillon & Schummachar, 9). Bodgen and Bilken (1982) argued that:

> Data analysis involves working with the data, organizing them, breaking them into manageable units, synthesizing, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others.

The data collected and summarized, revealed that there a numerous criteria and rationale used by companies in determining why to enter into collaboration, how they will be normally form a collaboration, and what benefits they gain by forming a collaboration. The data used in the analysis was obtained all involved in the international collaboration process.

Types of Collaborations

In Pakistan most of the collaborations are in the form of licensing, franchising, joint ventures, and subcontracting.

Out of 43 collaborations studied, 11 (25%) are licensing collaborations, 1 (2%) in franchising collaboration, 27 (63%) in joint venture collaboration, and 4 (10%) in sub-contracting collaboration.

The companies surveyed were found optimistic about the success of foreign collaborations. As many as 37 (86%) companies indicated that they have a successful collaboration from the point of view of achieving their objectives. Further, they pointed out they benefited from the association of their partner in terms of exposure to international business practices and improvement in know-how of their work force.

A main problem encountered by the unsuccessful collaboration was low quality of the imported technology. One automobile company blamed old technology as the main reason.

"Licensing" approach is especially helpful to smaller firm that lack the financial and managerial resources. Smaller companies enjoy less bureaucracy and are thus capable of moving through R&D faster. Because of their small size, however, they are often unable to produce and market on a scale large enough to recover R&D costs. Licensing is a way for such firms to increase their returns on R&D.

A primary disadvantage of licensing is loss of control and accountability. Once a contract has been signed, the local operator controls the manufacturing, marketing, and distribution of the product. "It is very hard to control what happens to your product". This fear keeps many firms away from entering into cooperative contractual relationships. Similarly, the licenser usually does not have authority to determine the volume of production or the marketing strategy used. Furthermore, the brand or company name may also suffer because of poor production quality by the licensee.

A highly marketing-oriented European transnational corporation with a licensing agreement with a former distributor in Pakistan to manufacture detergents, soaps and toothpaste encountered major differences in marketing policies and programmes with its partners. The transnational corporation insisted upon controlling product specifications, pricing decisions, advertising and trademarks and brand names in all aspects of marketing. The Pakistani partner, on the other hand, wanted to limit advertising and other promotion, to have responsibility for pricing, to place less emphasis upon brand acceptance and strove to emphasize its contracts with distributors and knowledge of the cultural environment in marketing. Seeing a limited market of the higher-income consumers, the Pakistani firm felt that the licensing should emphasize higher prices and limited volume of sales. On the other hand the European transnational corporation strove to market more differentiated products to various segments of middle- and higher income consumers, and wanted to place major emphasis on its type of aggressive promotion and brand management. The disagreements on marketing, which were crucial, paralysed the operation.

These agreements, however, typically require complex and detailed negotiations before con are actually signed. Once the agreement is signed, compliance is often difficult to monitor and enforce.

Licensing is also not beneficial when strong links exist between research and marketing, such as in automobile and telecommunication industries. In these instances, firms would be likely to profit from strategic alliance with the prospective licensee, so that product development and marketing can incorporate local market features.

Strategic alliances are also optimal when research is focused on technologies that are not easily licensed. When technology is rapidly changing, Pakistani firms may find it necessary to transfer the technology into marketable products as quickly as possible to maximize expected profits before the product's technology becomes obsolete. A firm often accomplished this by licensing the production and marketing of the technology or product to companies in several different markets. When the technology is not easily licensed, cooperation with Western firms in its development may be more effective because partners could cooperate in the production and marketing of the product without needing to develop complicated licensing agreements with other businesses.

Another method of engaging in cooperative business relationship with foreign firm is "franchising". Franchising is a variation of the licensing in which the franchiser licenses an entire business system or service to an independent franchisee. The franchising method of operating in the global marketplace is most prominent in the services industries especially in fast food. Traditionally, U.S. brand names such as Coca Cola, Pepsi Cola are common in Pakistan. International franchising is not well suited for all business activities because it is primarily geared to service and consumer-oriented business. Franchising does not well operate well in high-technology industries or in manufacturing generally. Another disadvantages with franchising abroad is similar to licensing- the loss of control once the franchising agreement is signed. Pepsi worries about the varying quality of its product. Franchising is predominantly a U.S. marketing strategy and thus may not be suited to all cultures.

Most of the collaboration in Pakistan are in the form of Joint ventures. Joint ventures are usually result in the formation of separate corporate entity jointly run under a different name. Most joint ventures are governed by a board representing the contributing partners. The legal form of the new organisation may be a contract, a corporation, an unincorporated association or another legal entity. Joint ventures in Pakistan take a variety of forms. Often the motives for a Joint venture are not primarily monetary but instead involve learning, market entry, acquisition of capital or technology, and the facilitation of regulatory dealings. In some cases, joint ventures are simply transitional arrangements, associated with the gradual spinning off an existing plant to a new owner. Many joint ventures last only a limited time does not necessarily mean that they have failed in their purpose. The original intent on the part of the partners may have been to deal with temporary market condition or a product with limited life.

Joint ventures are typically used for one particular activity; the synergies developed are exhausted over a finite time period. As a result, the venture is subsequently dissolved or it may be discontinued by one partner buying out the other. One of the major failure of joint venture in Pakistan is observed in fulfilling specific requirement of the borrowing enterprises has been in the area of adapting borrowed technology to suit local conditions. The concept has been condemned on the ground that it seeks to promote outdated production processes and use of inefficient machinery. In fact the expectation from adaption of technology is quite the contrary. Pakistan associates actually want that new technology would be transferred; but that at the same time it would be made less expensive and less dependent on intricate requirements for maintenance and replacement. There are other areas in which technology can be simplified and the capital equipment made less expensive. However, joint ventures seem to ignore such requirements.

It has also been complained that foreign firms with only arrangements for technical cooperation would not seriously consider proposals to carry out substantial changes in the layout of technology. According to this argument, if foreign firms participate in the equity of a joint venture, they would have greater incentives for carrying out major changes in response to local conditions. This generalisation is again too sweeping and requires modification in the context of the specific nature of the industrial activity being carried out and scheme of its operation. The truth is that all the disabilities appear to be concentrated against smaller firms. Whether they operate through technical agreement or have direct participation, they appear to be a disadvantage in their quest for adapted and/or adopted technology. On the other hand, the larger firms, even when they depend on agreements for technical cooperation, can use their own resources to experiment with advantage.

No doubt, a large firm with equity participation from abroad will engage much seriously in research and development to bring about the desired changes. But the critical question that remains unanswered is: what help did it receive from its partner in the joint venture? By their nature, joint ventures are often unstable and difficult to manage, being most useful during periods of transition. Observation of the current management practices suggests ambivalence concerning the use of this strategy, which involves sharing both capital and risk. Thus, because of the unique nature of the cooperation when equity investments are involved, decisions to engage in joint ventures are based on different criteria than are strategic alliances.

Strategic alliances are anything but easy. They require extreme clarity in regards to objectives, strategies, policies, relationships, and people. They create a heavy demand on management time and effort and require both partners to be tolerant of ambiguities. This ensures that the participating companies maintain a reasonable and effective degree of cooperation and commitment throughout the life of the agreement.

Adequate safeguards from the government of Pakistan are also necessary to ensure that strategic alliance is being implemented. Some small industries of Pakistan are also engage in cooperative contractual business relationships with foreign firms through sub-contracting. The important role of small industries in the national economy of Pakistan has already been recognized. It is estimated that the average contribution of small industries to the GDP is about 4.7 percent. It is also estimated that about 80,000 small industrial units provide employment to over 2.2 million workers, which works out to 75 percent of the entire industrial labour force of the country.

Surgical Instruments Industries comes in the category of small industries. This industry needs concerted efforts for upgrading the general and technical know-how of the manufactures. In this industry, very few collaboration in the form of sub-contracting are in operation but their performances are not satisfactory. Surgical instrument industry can capture the world market. Pakistan and Germany are the only two major suppliers of surgical instruments in the world. The market is so wide and regional location of both countries is so different that each can expand its own market without disturbing the other. In any case, Pakistan has certain advantage over Germany in terms of cheap labour, 100-years experience, and established global reputation. Korea, France, Hungary, Poland and England are also in the field but their exports are negligible. In terms of cheap labour, 100-year old localized skills, suitable monetary and fiscal incentives, and world-wide reputation, Pakistan has all those text book advantages which are associated with localization of industries. However, technological and managerial inadequacies, with reference to fastly changing global medical requirements, stand in the way of Pakistani exporters capturing the entire world market. Export of surgical instruments accounted for only 1.4 percent of Pakistan's total export in 1990-91 but during the decades 1980-90 they increased at an average annual rate of over 22%. This growth continues unabated. However, the industry presently consists of about 400 small and medium labour intensive production units, providing jobs to over 40,000 workers.

The potential of surgical instruments industry, an earner of sizeable foreign exchange, needs to be fully explored. For this purpose constant efforts are required to improve international competitiveness in terms of quality, range of products, and favourable trade agreements with foreign countries.

For qualitative improvements modern techniques of production need to be introduced on a wider scale. At present the emphasis is on the production of metal instruments and equipment of traditional styles. There is an urgent need for research and advancement in the production of electro-medical apparatus of high quality. Advanced countries have prescribed specific standards of importing surgical instruments. For example, Medical Devices Act (1990) of the U.S.A. prohibits the import of surgical goods which do not confirm the standard laid down by it. Principal advantages of subcontracting from foreigner point of view that Pakistani suppliers often offer less expensive and less restrictive work rules, as well as lower land and facility costs, than foreign suppliers or in-house sources.

A fundamental disadvantage with subcontracting is the potential loss in flexibility and control that results when a firm eliminates its production capacity through a contract with another firm. This has been the complaint of makers of surgical instruments.

Performance of the Industries in the Research and Development Sector.

Pakistani industries lack of research and development programs. Only 17 (40%) companies surveyed have a separate and complete R&D department. 11 (25%) have partly R&D section (R&D activities are carried out on line or by development team working on the shop floor). 15 (35%) companies reported that they do not undertake any R&D (Fig. 7). The major R&D activities performed by the industries are

I) Process development

II) Product development

III) Time and motion study

IV) Quality improvement

V) Design and testing

VI) Modification of the imported technology to suit local needs and conditions

VII) Alternative of raw materials

IX) Waste reduction

The Pakistani companies are found to rely more on their partners for design and drawings. The survey shows a lack of interest of the companies in developing new products or processes. the companies that have good interaction with their collaborators tend to spend less on R&D. They maintain that in case of any problem they can fall back on their collaborator. They are confident that their in-house R&D department and their well trained work force to take care of the day to day problems. Chief executives officer of one of the chemical industries points out that the Pakistani market has been price conscious but not quality conscious. Investments in R&D result in an increase in product price which may lead to a decline in market share. Supply of goods and services has been much less than the demand. Companies have enjoyed monopoly in certain sectors where there has been no competition and the need for the better quality of products has never been realized. Since the Pakistani customers had no choice in their purchases, it was a sellers' market.

Managing Directors of five public sectors complain that R&D programs run for years without producing useful results. R&D department have been overstaffed. They feel that government institutions must develop a more market oriented attitude. Universities and other technical education institutes are not playing an important role in this field. Commonly cited problem is the lack of communication between the industries and the universities. The industry sector feels that the universities are too theoretically inclined to solve practical problems. They also feel that these educational institutions have failed to upgrade themselves with the changing industrial scenario, and that they suffer from undue bureaucratic control and red-tape. They agree that the universities should provide more practical training.

Today the time between the creation of new knowledge and its practical application is shrinking rapidly. Universities of developed countries are consequently playing an increasingly direct role in shaping the ideas industry turns into new goods. Business-university alliances in Pakistan may be organized several ways: university group research, individual projects, and shared facilities. Sharing costly equipment with universities, or working in their laboratories, makes it possible to conduct experiments that would otherwise be out of reach. Shared learning through contacts with faculty researchers can be an important additional benefit. Business sponsorship can provide income, equipment, employment opportunities for students, consulting opportunities, and a keener awareness of applications for faculty. Industrial projects also give students a valuable glimpse of the world of business. Business-university alliances work best when people on both sides believe they are getting good value. In Pakistan, university links can be valuable regardless of companies size.

Factors Influencing Collaborations

There is a variety of factors influencing the Pakistani companies to enter into a foreign collaboration.

FACTOR # 1 Dangers of Equity

This is very significant factor affecting the collaboration process. 63 percent (27) respondents are willing to have a collaboration with more than 50% share. The results of a survey substantiates that both parties are unwilling to have their foreign associate intervening in matters of the use of know-how supplied or the management of the jointly owned entity. Both parties want more than 50 % equity because it ensures majority position and control over personnel, brand decisions, and investment choices. A number of joint venture negotiations were actually broken of because no agreement could be reached on this sensitive problem.

This kind of difficulty arose for instance in the negotiations between the government and foreign companies for a large chemical project. It was argued that government would have 51 percent of the capital, and the foreign corporation would share remaining 49 percent.

Although agreement had been reached on many points, the negotiations ultimately failed to reach any satisfactory conclusion. Although the government and the foreign investors all had valid reasons for their firmness, it seems fair to say that, with little more flexibility from both sides, an acceptable compromise might have been formed.

This need for control is deeply rooted. The tradition of Western capitalism lies behind it, a tradition that has long taught managers the dangerously incorrect arithmetic that equates 51% with 100% and 49% with 0%. Fifty one percent buys you full legal control, a control of activities.

An emphasis on control through equity, however, immediately poisons the relationship. Equity by itself is not the problem in building successful alliance.

Chief executives devote more time screening potential partners in financial terms than to managing the partnership in human terms. They worry more about controlling the relationship than about nurturing it. They fail to develop their company's collaborative advantage and thereby neglect resource.

Good partnerships don't work on the basis of ownership or control. It takes effort and commitment and enthusiasm from both sides. This is a misconception of Pakistani managers that total control increases chances of success. Companies that have enjoyed successful ventures for years can have things quickly go sour when they move to a literal, equity- and contract- based mode of ownership. Pakistani managers should realize that as the relationship between partners deepens and as mutual trust and confidence build, there may come a point when it no longer makes sense to remain two separate entities. The lesson of more than 50 %equity is painful: having control does not necessarily mean a better managed company. You cannot manage a company which based through control. In fact, control is the last resort. It's what you fall back on everything else fails and you're willing to risk the demoralization of workers and managers.

In Pakistan most of the collaborations are in the form of joint ventures. Joint ventures may also work, but there are two obstacles to success. First, there is a contract, and contracts-even at their best-can only reflect an understanding of costs and markets and technologies at the moment companies sign them. When things change, as they always do, the partners don't really try to compromise and adjust. They look to the contract and start pointing fingers. After all, managers are human. They are sweet on their own companies and tolerant of their own mistake.

The second problem with joint ventures is that parent companies behave as parents everywhere often do. They don't give their children the breathing space-or the time-they need do grow.

This is not to say that joint ventures cannot work. Many work quite well. But Fifty-fifty partnership has the highest rate of success, so it will be beneficial for both the parties to form collaboration/venture based on strategic alliance on 50-50 basis. A 50-50 strategic alliance creates a spirit of partnership. It gives both firms the opportunity to affect all decisions equally. It presses parents to overcome any problems by working together. 50-50 is not so much a magic number as it is an attitude about cooperation. Unlike lead parent arrangements, where operating decisions don't get to the board, parents of 50-50 must agree on the significant issues. This puts a premium on mutual understanding.

A 50-50 board must provide clear and consistent signals to management. Consensus decision-making and taking care of each other's need are essential here. Other important practices hinge on strategic alliance starting and operating conditions and on the need to build a strong organization.

It is essential that all significant parent influence on a 50-50 strategic alliance be visible. Avoid any attempt to convey hidden signals. Otherwise trust and open communications are violated. Although 50-50 collaborations do not exist in Pakistan, some officials are in the opinion that equality would lend a special feeling of partnership to the parties. Strategic alliances that are not fifty-fifty can, of course, succeed. One way to boost the odds of success is to realize that the alliance is a win-win situation rather than a zero-sum game.

An alliance is a lot like a marriage. There may be no formal contract. There is no buying and selling of equity. There are guidelines and expectations. The basic concept behind strategic alliances is synergy. By joining together, partners are able to accomplish more than they could separately.

Alliances that both partners ultimately deem successful involve collaboration rather than mere exchange. Strategic alliance cannot be controlled by formal systems but require a interpersonal connections and internal infrastructures. We should not take a narrow, opportunistic view of relationships, evaluating them as barely tolerable alternatives to outright acquisitions.

In some cases it is also observed that Western companies neglect the political, cultural, organizational, and human aspects of the partnership. Strategic alliance relationship is more than just the deal.

FACTOR # 2 Government Objectives and Policies Towards Collaboration

One major goal of the government in promoting foreign-collaboration is the potential substitution of imports by local production. Of course, there are other objectives such as transfer of technical and managerial know-how. The trade and industrial policies of Pakistan are an important factor affecting international business ventures.

Law and order, political stability and consistency in economic policies are critical factors when it comes to investment related decisions. Pakistan scores rather poorly on all these accounts.

Investors also find it difficult to operate in a system in which policies and tariff structures undergo frequent changes. According to the one CEO, the government changed the import duty on sugar five times during 1991 alone. During the same period, the export duty on cotton yarn was modified on six occasions.

In 1992-93 budget, the government has levied a 12.5 per cent sales tax on all raw materials used by industries set up in the industrial estate in Hattar, near Islamabad (capital of Pakistan). Previously this was a tax concession to attract investment in the area. Subsequently, a polyester manufacturing plant with a production capacity of 50,000 tons per annum was set up in Hattar with Japanese collaboration.

The message in all this for potential foreign investors cannot be encouraging. Pakistan is not the only country desperately seeking investments from the main industrial economies-the aim being to raise the rate of growth of the manufacturing sector and to expand the base of trained and skilled manpower. In the global business environment of today, a host of countries are falling over each other to attract foreign investment.

Furthermore, additional inflows of capital, even from existing enterprises, depend upon the general environment for investment.

Investment laws, policy consistency, perceptions of political stability, the law and order situation and the social and cultural values of society all play their parts in determining the investment climate in any particular country. This environment, however, is also influenced by the mode of operation of multiple official agencies and the extortionist tendencies of its employees. In Pakistan, these include the difficulties encountered by industrialists in the income tax office and the problems faced in getting No Objection Certificates from the government agencies to gain access to infrastructure. Then there are the cumbersome and at times infuriating dealings with labour inspectors, power supply linesman, and the staff of the municipality. Most foreigners find these demands distasteful.

Foreign investors have often complained about the complexity of procedures and "red tape" in Pakistan that impede the rapid realization of the project.

The government of Pakistan should encourage participation of foreign company in all the fields of economy. The policy of government should be very clear. Pakistan should give to foreign investors all legitimate facilities and assurance and expect that foreign firms will participate in Pakistan endeavour to make the country self sufficient in all fields.

Strategic alliances between companies of different nations provide opportunities to deal with what ever country has the more favourable governmental environment. Goods can be manufactured in the country with the lowest taxes, regulatory restraints, or labor costs.

Foreign investors have so many options these days that they don't want to put their money into any country without a proper assessment to the domestic situation.

FACTOR # 3 Mutual Trust and Commitment

Lack of trust and mutual understanding have been reported by nine companies. Strong commitment and trust by both parties are essential for the success of the venture. There are major complaints on both sides.

The essential elements of success for any venture is "trust" which is missing from the nine collaborations operating in Pakistan. Pakistani partners usually believed that (1) foreign company is thinking only of selling its equipment, and want to take home money they have invested in the collaboration by making handsome profits on sale of technology. (2) foreigners normally send people who are somehow useless in their headquarters companies. They don't send their best or even their good people. (3) foreigners think that we have only money and nothing else to contribute to the collaboration. (4) foreigners consider the profits of the parent company to be more important than the profits of collaboration.

The foreigner on the other hand thought that (1) from beginning, the lack of trust between the partners make things difficult to operate. (2) Pakistani somehow don't trust us. (3) to create mutual trust, both sides should prove to each other that the success of the collaboration will be mutual interest. (4) some Pakistani believe that they should watch for foreigners because they are here to make fast money.

In summary, the existence of such internal and external variables in collaboration companies create human relation problems. It is magnitude of such problems that creates conflict, resulting in mistrust, and thus failure of collaborations.

The CEO of one automobile industry complained that old technology was provided for the manufacture of automobile. There is lack of trust between both the parties. It is also observed that Pakistani parties are afraid when they form collaboration from single party and there are not competitors, the Western parties take advantage of the situation and maximize profit.

The importance of trust is apparent in all relationships. During the evolution of the relationship, the amount of trust rose and fell, reflecting the quality of climate of the relationship. Trust were increased on the basis of personal relationships, on the other hand, trust was worn down over time by the lack of internal support, and trust was destroyed by cultural differences when these were not bridged successfully. Trust was also quickly destroyed when the partner's trust was misused.

The principal of trust is that the partners do not act strictly on the basis of their own short-term self interest, but instead are considerate of their partner's interests and position expecting the same behaviour in return. Thereby, trust stabilizes relationships and helps avoid conflicts. A high degree of trust has a positive effect on communication and increase the partners' tolerance and flexibility. It also produces some unexpected benefits. Mistrust undermines communication and cause the partners to "retreat into their shell".

Of course it cannot be denied that human relations problems do contribute to the creation of mistrust among parties. But this is not a phenomenon unique to collaborations. Human relations problems exist in any partnership. Parties to any venture, even from the same country, might possess different characters and cultures. In an international collaboration the magnitude of such differences might be greater. The creation and protection of trust should occupy a premier spot on management's list of concerns.

To be successful, a strategic alliance must operate on the principle of fair exchange. There must value in the relationship for both the parties. A strategic alliance should not be established unless there is a strong likelihood of cooperation and on-going two-way communications.

Commitment is necessary for success and is required at each step in the process. Commitment is required to overcome initial uncertainties associated with a new country or partner. One executive with a successful international corporation has stated : "Commitments is probably the single most critical factor for successful entry into foreign markets".

Commitment has also been characterised as a challenge. Commitment is built and becomes an important value in a corporation.

FACTOR # 4 Transfer of Technology

A main problem encountered by the unsuccessful collaborations was the low quality of imported technology. One automobile company blamed that old technology was the main reason (This automobile company has lost money amounting of Rs. 507.10 million in 1992).

Pakistan has been importing technology for the last 47 years. Initially agriculture sector received highest priority. Pakistan is a land of villages where 74 percent of the population derives its livelihood, directly or indirectly from a traditional agriculture. In agriculture sector, the poor state of affairs of Pakistan has as its root cause, the backward and inefficient technology used by farmers. Traditional method of farming have been very inefficient. Majority of the farmers have been using wooden ploughs for tilling the soil, indifferently selected seeds, inadequate fertilizing and unscientific cultivation practices of past centuries.

Pakistan lacks modern technology needed for efficient utilization of resources. The modern technology is available to it through foreign companies but its cost is too high. Pakistan can not afford to buy technology thats why most of the collaborations with foreign companies is to access the technology. Particularly, the petroleum industry is capital intensive and technology driven. The common impression about 'transfer of technology' is that it is a fixed pool of something that it can be packed and transported like a commodity. This is certainly impression one gains from hearing Pakistani official. This gives an impression that are both dealing with so many tons of some commodity. But technology is not in any sense a pool or sum of anything finite in quantity or quality. It is being constantly changed and updated. It may involve equipment and tools that can be transferred, but it is much more than this.

Technology is really a combination of factors that include all tools, equipment, processes and patents. But it also involves a certain intangible additional input knowledge of an ability to manipulate and use of those tools, equipment, or processes for the attainment of the specific ends. This involves human development, a conditioning of the human mind to comprehend certain techniques and relationships, how certain things work, and why or why not.

Oil industry planners in Pakistan are showing increasing interest in the formation of strategic alliance for oil exploration and production. This is for a variety of reasons. First and foremost, exploration for domestic oil is becoming more and more attractive in view of ever increasing energy consumption and because there is excellent promise of finding more oil. Acquisition of modern technology is therefore needed for undertaking of exploration/development activities. Secondly, it is necessary to build up the technological capability in the oil sector to control and manage scare oil resources. An effective program of transfer of technology from the developed countries assumes a critical role in the light of these considerations.

About 877,000 square kilometres are in Pakistan consists of sedimentary basins (on shore: 611,000 sq.km, off shore: 216,000 sq.km). The recoverable oil and gas potential of this area has been estimated 36-53 billions barrel of oil and 140-143 TCF of gas (Mahmood, 88). The oil and gas discovered so far correspond to less than 1 percent of the gas potential of the country. The relatively small sizes of oil and gas discoveries in relation to the estimated resource potential are due to inadequate exploratory effort.

Foreign oil companies can play an important role in oil exploration/development activities in Pakistan. There are currently 23 foreign oil companies operating in Pakistan under various forms of contract. Although the predominant concern of these oil exploration contracts is limited to matters such as distribution of exploration risks, division of profits and control of production and physical oil, they do contain a provision for some amount to be spent on overseas training of Pakistani professionals in various disciplines of petroleum technology. Such provisions, however, do not provide enough motivation for both the parties. Thus, in the absence of trust, motivation in the present circumstances, foreign oil companies seem to be rather ineffective vehicles for transferring modern petroleum technology to Pakistan.

Pakistani firms cannot afford to acquire the resource and competence they need due to the lack of financial resources. Frequently, the knowledge and assets that they seek cannot be purchased.

In these situations, strategic alliances could be considered as a means of copying the uncertainties and building strengths. Strategic alliance can be a means of utilizing a new manufacturing process, a by-product, or a new capability. Strategic alliance could build internal strengths by offering firms a window on promising technologies. To providing access of modern technological information, strategic alliance could offer better opportunities for engineers to exchange technical staff (a useful future of R&D) and could save firms costly and unnecessary duplicate research and development efforts.

Strategic alliances are particularly appropriate where projects involve great uncertainties, costly technological innovations, or high information costs. Strategic alliances should not be a way to hide weaknesses. Rather, if they are used prudently, strategic alliances can be a way of creating internal strengths.

Strategic alliances have the advantage of minimizing the risks inherent in a fast-changing, growing world economy. The nature of risk reduction in strategic alliances, however, is somewhat different from other firms of collaborations. This is because each partner is more closely linked to the success of the venture.

FACTOR # 5 Absence of Management Principles

A major problem noted in the operation of collaboration is the absence of clearly spelled out management principles. In most of the public joint ventures in Pakistan, the managers are chosen on the basis of nominations by the shareholder countries based on personal trust, job promotion and prior experience in national government work which may bear no relationships to the present work. In one case, for example, a specialist in transport was selected to manage an enterprise producing fertilizers. This method of selection applies not only to top management at the board-of-directors level but also to the executive manager down to department and section in charge. It was recognized that several types of conflicts might arise due to the differences in management philosophies, styles, and practices brought in by the partners from different countries.

Conflict arises when one of the partners does not fully subscribe to the profit maximization objective and insists on achieving other objectives in the management of the joint venture. This situation may be typified by joint ventures involving the public sector, the more so when it is represented by managers who are seconded from civil service. Due to their background and training these managers have different attitudes towards cost-consciousness and efficiency from those of the foreign partner. Such differences often result in disagreement within the management team.

Conflicts within in the management tend to become more intense as the organisational structure becomes more complex, especially so when the partners come from countries with distinctively different economic, social, political and cultural systems.

It is observed that in some cases ventures do not use modern scientific management tools like planning, budgeting, management of objectives, and so on which facilitated proper delineation of duties and an assessment of performance by matching results achieved against established corporate goals. A senior executive mentioned that areas like project scheduling, monitoring and feedback in which know-how was always weakest. But this is also the area in which quickest and biggest gains as managerial know-how develops and effective controls can be established.

Pakistani managers were unanimous in noting that collaborations were harder to manage than wholly owned business units. Since there was no need for firms to form collaborations if they could do everything by themselves, and since firms would not use collaborations without considerable incentives, it is reasonable to assume that firms used collaboration to expand their competitive capabilities and create new strengths.

If managers are open to change, strategic alliances can be a way to build strengths through innovation. Managerial practices could be modernized through strategic alliance with other firm's innovation information systems and administrative techniques. Partners could become more flexible strategically, since strategic alliances could facilitate better information exchange and could enhance communications, if they are managed effectively. Strategic alliances offer an excellent method for training managers.

Effective management of strategic alliances will depend on trust, mutual respect, and a willingness among partners to negotiate any dispute. A policy of open and enhanced communications is necessary in order to air the perceived inequities that could develop within partner relationships.

FACTOR # 6 Infrastructure

One of the most significant drawback in industrial growth in Pakistan is lack of infrastructure. The dramatic differences in energy , transportation, and telecommunication infrastructure among countries at different levels of economic development. For example, whereas the United States consumes 7,193 Kilograms of oil per capita and has 667 cars and 760 telephones per 1,000 people, the low-income LDCs consumes 314 Kilograms per capita and have four cars and five telephones per thousand (Source: Comparative International Stastics, 1988).

Pakistan has very slow growth of facilities in the shape of water, power, telecommunication and roads. It is reported by one manager of an electrical industry that lack of these facilities is a major hinderance to industrial development of Pakistan and in this situation it is difficult to convince foreign partners to invest in Pakistan.

One managing director of chemical industry complain that facilities are often lacking for transportation, telecommunications, electrical, water waste disposal, and other utilities. Port capacity is often inadequate, service inefficient, and charges high. Air cargo service is often hampered by low frequency of flights.

The government of Pakistan should acknowledge the need for rapid and overall infrastructure development. Foreign investors have so many options these days they don't want to put their money into any country where they don't feel comfortable. Pakistan must create local environment hospitable for foreign investors.

FACTOR # 7 Learning or Transfer of Skill

Seven executives mentioned that learning opportunities that collaboration in Pakistan can bring are either not understood or poorly exploited by the Western partner. One executive pointed that "when the workers in our collaboration suggested way to improve the productivity of our plant, the Western partner just felt offended".

Other mentioned that our professionals cannot turn on a particular computer, or run a software or explore a new feature in the software because the foreign partner under whom it works is on vacation. Some professionals are afraid that doing even a minor operation will upset the delicate balance under which these equipment operate and which can only be set and maintained by the foreign partner. If even after years of exposure, people don't have the self confidence to try a new option in a software or move a piece of hardware, where is the technology transfer? However, even after many years of use, professionals seem to know only a cookbook, routine approach. They are not encouraged or given freedom to experiment, discover, modify and manipulate the technology.

It is also indicated that short overseas trips are taken by professionals each year to get training. But, in the absence of clear objectives, these trips tend to degenerate into pleasure trips.

The broader objectives of human development and confidence building can be achieved in a foreign aid based technology program only if enough attention is paid to these objectives and they are made an essential component of the program. A success story of achieving these broader objectives is the cooperation between CIDA (Canadian International Development Agency) and OGDC (Oil and Gas Development Corporation) in the development of human resources . The success of the program is due to its emphasis on teaching students how to transform latest concepts into useful and hands-on skills and letting them apply, adopt, experiment and modify these skills for new situations on their own. This facility is likely to play an important role in the development of indigenous technology base in Pakistan.

Strategic alliance is the opportunity for learning. By sharing information and know-how, the stage is set for more learning than a single organization could achieve by itself. This process ensures compliance in the collaboration and builds a basic for further collaboration. However, if the goal of strategic alliance is to learn, it may be necessary for top management to take more directive role in specifying what is to be learned. If senior management does not create a clear sense of mission, learning is unlikely to take place.

By clearly establishing learning as a fundamental goal of strategic alliance, senior management can both spur and legitimize the efforts of employees to learn from their partners. The specific learning goals senior management establishes for the alliance will determine the breadth and depth of the partner knowledge activity sought by operatives.

Managers from both partners must become teachers as well as learners. When managers accept teaching and learning roles, they demonstrate interest and respect, which helps build the goodwill that is so useful in smoothing over cultural and organizational differences.

Relationships usually require and often stimulate changes within the partners, changes that they may not anticipate at the outset of the collaboration. When two companies place themselves in intimate contact with each other through an alliance, it is almost inevitable that each will compare itself with others. How do we measure up to our partner in the systems sophistication or operational efficiency? What lessons can we learn from our partner? In fact, learning from partners is part of realizing the full value of the relationship.

Joint learning occurs because group problem solving can lead to better solutions. As managers from different organizations engage in joint problem solving, they are learning flexibility and adaptive efficiencies. As their organizations problem solve together, they reduce the time it takes to put a new product on the market. If the product fails, they may have time to correct their mistakes.

The bulk of learning will take place not at the senior management level, but the operational level.

FACTOR # 8 Conflict of Objectives

A senior executive of one of the largest enterprise in Pakistan complained that objectives of the partners are not the same.

Since each partner to a joint venture is itself a legal entity, it brings to the arrangements a certain thought process and it seeks to achieve certain objectives. The plain fact of the matter is that objectives of the partner may be no means coincide.

A collaboration is supposed to give benefits of some kind to all parties involved. These benefits vary in scope and nature, depending on parties involved. In some of the cases in Pakistan, the objectives of various parties involved in collaborations are not common and may often be conflicting.

In Pakistan, 22 families dominate the manufacturing activities which are not operated by government enterprises and have become partners in some collaboration. Their objective was expansion through diversification, but not necessarily growth in a given collaboration. Thus, limited capacity and shortage of supply in the industries would only increase and prices and result in higher profits. They would rather gain monopoly in another industry through a new collaboration than expand the capacity of existing ventures. They preferred a quick pay back and profitability.

On the other hand, Pakistani partners offered the advantages of knowledge of local culture, markets, government contracts, influence in the community.

It is obvious that both parties have had enough reasons to get together and form a collaboration. At the same time, there were enough potential elements of diversity in the objectives of the two sides to create conflicts and build up mistrust in daily operations and decisions.

FACTOR # 9 Long Term Commitment

The collaboration partners often differ in the long-term objectives. The need for long term commitment was acknowledged by almost 30 officials. They pointed out that, it builds trust and confidence between the parties involved.

The Pakistani culture emphasis on patience and long-term focus can strongly influence the approach of strategic alliances. Pakistani firms view collaborations as a long-term relationships based on mutual trust.

It is also a general complaint that Western firms typically concentrate their best resources in North America and Europe. Lack of commitment from Western partner is also a complaint from Pakistani side.

Personal relationships also play an important role, Pakistani cultures place a great deal of emphasis on the obligation and commitment to maintaining these personal relationships.

Pakistani participants are willing to form the strategic alliance and have a desire to see the formation through on a long-term basis. Without this enthusiastic attitude, the strategic alliance is sure to fail. Trust and long-term commitment, not short-term gains are the heart and soul of the solid strategic alliance.

Strategic alliances take a long time to develop because different corporate cultures must be joined to make one efficient organization. Pakistani partners should possess or be persuaded to possess the attitude of team work and believe that long term benefits of the company are their personal benefits as well. This could only be achieved by proper selection of the partners. Long-term views about how best to gain profits can be quite different from short-term perspectives.

FACTOR # 10 Flexibility

In five cases in collaborations in Pakistan, it is observed that there is lack of flexibility and coordination.

Success in the cooperative management requires flexibility. Success ultimately depends on the partners' abilities to make adjustments their relationship as necessary.

Operating misfit can be overcome by making adjustments in the way both sides work together. Unexpected changes will occur in any relationship. Success depends to a great extent, on the partner's flexibility to adapt to these changes and refocus and reposition the alliance when necessary.

Even though it is important to layout "rules and responsibilities" clearly, it is impossible to foresee all constraints and opportunities. Business environments are often unpredictable. One should be open to ancillary agreements that allow for wider roles and forms of interaction. For example, a change in tax laws might make the original remuneration mechanisms less than optimal for partners. Flexibility can be built in the strategic alliance from the beginning. Fundamentally, flexibility is a managerial state of mind.

Flexibility is one of the main operational advantages of strategic alliances. This is particularly true for firms unable to keep up with rapidly changing consumer preferences, but which seek to meet customer demands.

Coordination is the quality of the relationship between human factors in a working system and is often equated with cooperation. Cooperation includes both a behaviour component (willing work together) and an attitude (absence of selfishness).

Cooperation is the quality of the relationship between human factors in a system consisting of mutual understanding, shared goals and values, and an ability to work together on a common task.

Being flexible means being willing to create flexible systems where people are given autonomy to make economic decisions.

FACTOR # 11 Interaction, Information and Communication

Four CEOs mentioned a lack of support from the collaborators, particularly when our engineers tried to improve the technology to suit according to the local conditions. The communication gap with the collaborator is often a major constraint. A variety of different communication channels are in use in Pakistan like management committees, progress meetings, and board meetings. It is important to design the communication with the partner according to the rationale of the relationship. A liberal information policy is essential for keeping the partner informed about unexpected difficulties, and thereby keeps up the goodwill. A high degree of communication between the partners, open discussions of problems, and a good personal understanding can help to reach this goal.

FACTOR # 12 Stability of Relationship

It is reported by six officials that the most common conflicts in the collaboration in Pakistan occur over money : capital infusions, transfer pricing, licensing fees. The complexity of roles each partner has with respect to other can make economic decisions difficult.

Usually only a few staff people are dedicated full-time to the relationship. Others are evaluated on the performance of their primary responsibilities and therefore often neglect duties relating to the collaboration. Collaboration managers, more concerned about their future in the parent company that appointed them, often give priority to their own company's events or executives and subordinates than those of the partner.

The effective management of relationships to build collaborative advantage requires managers to be sensitive to political, cultural, organizational, and human issues.

FACTOR # 13 Culture Difference

Thirty two officials strongly disagree that cultural differences with their collaborators was ever a problem.

Cultural similarities and similarities in organizational structures simplify and expedite the transfer process. One of the major reasons for the high number of collaboration with UK in the initial years is the cultural similarity stemming from the long relationship between the two countries.

A senior manager of electrical company indicated that it is more comfortable to work with the collaborators who are supportive and have previous knowledge and understanding of the prevailing situation in Pakistan.

FACTOR # 14 Participation

It was complained by four CEOs that the venture was not totally supported by all departments. Employees in other department may not experience the same attraction as chief executives did. Generally chief executives spent a lot of time together both informally and formally. Other employees had not been in touch with one another.

FACTOR # 15 Management Structure

Decision-making and information flow are treated equally because the source of data and how and who implements a decision can be as important as the decisions themselves.

In Pakistan, the organization management consists of seven levels. The following four breakdown of management levels is recommended.

- Top Management. Board of directors such as CEO, Managing Director, President.
- Upper Middle Management. Those of the Vice-Presidential level responsible for sales, production, finance, etc.
- Middle Management. Department heads, Superintendents.
- Lower Management. Foreman and supervisors working at the first line above the working force.

The critical management problem noted is the scarcity of high-calibre staff for senior positions in some disciplines. The remedy includes: (a) periodic review of the salary package to make it competitive and attract and retain highly qualified and experienced staff. (b) external development courses, seminars and conferences; and (c) on-the-job training.

FACTOR # 16 Identify Conflict Points

Conflicts can be better managed by spotting them ahead of time and figuring out how to handle them. Plan for them, assess their seriousness, and take preventive measures.

Most public ventures face competition from private sector, which pays salaries and wages and grants numerous privileges that cannot be provided by public ventures. Five CEOs complain that foreign personnel in collaborations receive higher salaries than Pakistani personnel; this sometimes causes conflict. Efforts by Pakistan to narrow the gap in salaries between Pakistan and foreigner personnel as far as possible are a desirable objective.

Many problem arise in Pakistan because the foreign partner's representative do not have enough extended authority to make decisions locally. Too often the foreign representative have to go back to their headquarters for approval of their decisions. Strategic alliance could run much more efficiently if the foreign representative were given some more authority and autonomy.

Another problem in the collaboration's operation is the behaviour of the top Pakistani managers conveying to their local employees that they have not total confidence in their foreign partner. It is up to the top managers to convey confidence, even they are really fighting each other in the private.

FACTOR # 17 Inadequate Information

Pakistan lacks adequate information-gathering and information disseminating infrastructure, as reported by two managing directors and six managers. Good information on domestic and foreign supply and demands, prices, availability of technology, financing, and government regulations is often unavailable. Such domestic information sources as trade journals, newspapers, radio and TV are restricted by lack of skilled research personnel.

Although there existed a good number of collaborations in Pakistan, there had been very limited exchanges of information on their operational experience. Even regional and international agencies involved in promotion and research on collaborations had not been sufficiently engaged in the dissemination of information. Such limited dissemination not only deprived the existing ventures from learning from their respective successes and failures but also left potential organizers and participants in collaborations without any guidance.

FACTOR # 18 Negotiations

The negotiation process used by Pakistani firms is often confusing to foreign partners. It is reported by three CEOs and four managing directors.

In the West, negotiations generally follow a series of concise, logical steps until a successful conclusion of the negotiation process is achieved. In contrast, in Pakistan, the negotiators want to review in detail all the issues that may come out in the negotiations and thus take time out for deliberation.

Strategic alliance negotiations should not solely be aimed at maximizing one's own advantages. Rather it should consider the long term benefit of all parties and make sure that the skills and resources of each partners will be utilized more effectively. Undue restriction on the role of either partner will reduce the partner's enthusiasm and willingness to cooperate. Each partner has to be aware of his dependency on the other partner's good-will and cooperation and type of knowledge and expertise, for the purpose of mutual success. To avoid later conflicts, the managerial authority and responsibilities over the day-to-day operations of the strategic alliance to be clearly defined and assigned.

Since cooperative success is dependent on the contributions of both partners, only relationships that benefit both parties work. Therefore, it is important for each side to be aware of its partner's interests.

To create strategic fit, the negotiation process must produce a clear understanding of the partner's resources and interests. Only then can be the relationship be built on a solid foundation. This understanding is developed in detailed and open discussions, and through the avoidance of hidden agendas. The required degree of openness dictates that the partners are convinced on the sincerity of their counterparts. Openness in the negotiation process requires trust, but it also creates goodwill between the partners.

In summary, negotiations must lay a sound foundation for a cooperative relationship, by establishing for a viable strategic alliance strategy on the basis of shared interests, by providing a clear concept for implementation. This will give the cooperation a "running start" and increase the likelihood of being able to keep it running smoothly.

FACTOR # 19 Staffing of Strategic alliances

Strategic alliances should be staffed with the best people available. It is reported by two managing directors and three general managers that best people are not engaged in collaboration.

It is also complained that western firms typically concentrate their best resources in North America and Europe. From the very early stages of strategic alliance, resources should be pooled and differentiated. Management functions such as accounting, production and technology are basically universal. Accordingly, leaving these fields without dispute to the foreign partners should cause no problems. But sales method, labour relations, government contract are local matters and it is in the interest of strategic alliance to put local managers in respective positions as soon as possible. Only Pakistani can be expected to have the necessary knowledge of local customs, laws, business practices and to be able to provide easier access to product and labor markets.

Employees directly involved in an alliance should be experienced at working in a cooperative atmosphere and must be dedicated to the advancement of the alliance. The employees of each participant must be committed and loyal to the alliance, avoiding favouritism between the participants. All employees must understand the alliance's objectives and the vision that the participants have for alliance.

Employees working in strategic alliance relationships must have personality characteristics include the following: honesty and forthrightness, sensitivity to the needs and cultures of others, team member, loyalty, innovativeness, patience, adaptability to changing situations, cooperativeness, commitment, and openness.

Strategic alliances must be staffed with people who can be open and honest with one another.

Employees must be able to discuss problems without hiding anything. People who actively work in strategic alliance relationship must be able to work with others.

CHAPTER 6

Conclusions / Recommendations

Fundamental changes are occurring in the very nature of business enterprise. As the intensity of global competition increases, many companies are forced to reevaluate their niche in the world market place. One of the most striking examples of the global market-place has been described by the George Shultz, former U.S. secretary of state. He tells of a shipping label on integrated circuits made by a U.S. firm that read: "Made in one or more of the following countries: Korea, Hong Kong, Malaysia, Singapore, Taiwan, Thailand, Indonesia, Mexico, Philippines. The exact country of origin is unknown".

The rapid changes in the international economy offer both threat and opportunity, the Pakistani firm is forced to review its strengths and weaknesses and to rethink its long-term strategy. Streaming, down sizing, accelerating development, and organizational restructuring are often responses to foreign competition.

Pakistan is engaged in a massive programme of the growth, aimed at raising living standards and breaking out of the shell of poverty and under-privilege. The achievement of better society obviously necessitates a very substantive programme of investments and this calls for investment funds. Pakistan seeks to raise funds through taxation and through borrowing domestically and abroad, but these sources have their limitations and consequently Pakistan is forced to undertake the very difficult task of selecting investment priorities. What are the options open to Pakistan? An option has now emerged, namely the creation of strategic alliance.

Because Pakistan is not self sufficient with know-how, there is often a need to import know-how. Strategic alliances are an important vehicle for the sharing of know-how . This sharing, however, has so far been almost entirely between the developed and developing countries largely due to the fact that knowledge was available from the developed countries only. The future development of industries in Pakistan must be based on indigenous technology as far as possible. In order to promote technological self reliance, the government recognises the necessity for continued inflow of know-how, where Pakistan skills and technology are not adequately developed. Today's product rely on so many different critical technologies that most Pakistani companies can no longer maintain cutting-edge sophistication all of them.

Even more complex is the need which Pakistan has for acquiring, absorbing and adapting modern technology. Without this there is little hope of development. Pakistan prefer this method, but there are dangers involved.

Firstly, one-time purchase of technology leaves Pakistan at a particular stage of development and we must recognise the brutal fact that technology is advancing so fast that what was purchased yesterday could be out-moded today. The fast rate of generation of scientific and technological knowledge has led the high rate of obsolescence of processes, techniques and technologies. What is a revolutionary innovation today becomes a museum piece in a span of a decade or so.

Secondly, the sellers of technology having no direct involvement in the production process, may not necessarily be interested in the success of the venture.

Thirdly, they are not committed to the transfer process and the success of venture. The strategy of the strategic alliances as a channel for transferring technology has in this context considerable merits.

The investment opportunities in the form of strategic alliance for Western firm in all the fields specially in the power sector are very lucrative. Presently, Pakistan is suffering from an acute power crisis. The total installed capacity is 8312 MW out of which hydro generating capacity is nearly 3000 MW and the remaining capacity is thermal. The main reason for the chronic shortage in power supply is lack of financial resources for thermal power generation. Despite the fact that the large allocations were made for power sector projects at the cost of health, education and communication sectors, the actual outlays have never been enough to meet the requirements. More than 50 percent of Pakistan national budget is earmarked to energy development programs and about 25 percent of our total foreign exchange earnings are consumed in oil imports. On the other side, the country's power shortage is normally in that vicinity of 10-15 percent of the peak generating capacity which results in load shedding and national economy suffers. Pakistan suffers a loss of US$50 million per day because of load shedding (Leghari, 1994).

The energy consumption growth rate in Pakistan is more than 10 percent per annum which is a healthy sign as regards national development but it is very difficult to sustain such as high growth rate because of constraints and impediments.

Cheap labor is the greatest myth about Pakistan. True, the minimum wage is less than 50 Cents (US) per hour. It is not true that Pakistani workers are uniformly unskilled and incapable of producing high quality goods. Foreign companies should hire and train the young workers. Quality of the product will be high if they invest in training and equipment.

The quality of Pakistani managers is not consistent. Small and medium sized businesses tend to be run by owner-operators, many of whom are neither sophisticated nor progressive . They have no formal business training and provide their workers little training and equipment- offering the minimum wage and poor working conditions in returns. By contrast, there is a small elite core of Pakistani managers, usually in the large companies. These are men and women that hold a good university degree, have studied at the best business school around the world.

Strategic alliances must be seen as a co-operative efforts. If an strategic alliance cannot be seen in this light, then the venture is doomed.

Strategic alliances are a way for firms to acquire strengths and resources that they lack. Successful strategic alliances are made, not born. Like any relationship, it must be worked at to realize its full potential.

The success of a strategic alliance depends on a wide variety of factors. Through an extensive study with 43 foreign collaborations, the research identifies the following major factors that influence the cross-border alliances. These factors are:

Danger of Equity

Literature Survey	Field Survey	Comments
Control of ownership is very significant factor effecting the collaboration process. An emphasis on control through equity is poison for the relationship (Austin, 1990; Bleeke & Ernst, 1991).	27 (63%) respondents want a collaboration more than 50% share, because it ensures majority position and control.	This is very critical issue influencing the success of the collaboration. This is the misconception of Pakistani managers that total control increases chances of success. Good partnerships don't work on the basis of ownership or control. The potential for such conflict is universal and constant. Where appropriate measures to prevent or reduce such conflicts were undertaken, enterprises have usually done well in achieving their objectives.

Participation

Literature Survey	Field Survey	Comments
Employees of both the partners must buy-in and commit to the formation of the alliance (Badger, 1992).	Four execuitives complained that ventures are not totally supported by all departments.	Alliances are not always totally supported by all levels. All management levels must buy-in and commit to the formation of alliance. Firms normally form an alliance with the support of top-level management like CEOs. This does not automatically mean that the entire employee body from each company is behind the strategic alliance.

Objectives of the partners

Literature Survey	Field Survey	Comments
The success of the collaboration depends on harmonizing the interests of both the partners. Know-how suppliers want profitable operations and applications to enhance their corporate goals whereas owners want to expand their markets to increase their sales volume (Derakhshani, 1984).	The main objectives are: i) To access technology (53%). ii) To enter market (18%). iii) To improve the existing production line (14%). To share risk (10%).	Today's product rely on so many different critical technologies that most Pakistani companies can no longer maintain cutting-edge sophistication all of them. Pakistan prefer to buy the technology but there are danger involved. Firstly, one-time purchase of technology leaves Pakistan at a particular stage of development and Pakistan must recognise the brutal fact that technology is advancing so fast that what was purchased yesterday could be out-moded today. Secondly, the sellers of technology having no direct involvement in the production process, may not necessarily be interested in the success of the venture. Thirdly, they are not committed to the transfer process and the success of venture.
	In some cases, the objectives of various parties involved in collaborations are not common and may often be conflicting.	The partners must have a common goal and share the same vision of strategic alliance. This purpose and vision are the basis of the relationship and are typically documented in a memorandum of understanding.

Government Policies

Literature Survey	Field Survey	Comments
Law and order, political stability and consistency in economic policies are critical factors when it comes to investment decisions (Kardar, 1992).	The Government changed the import duty on sugar five times during 1991 alone. During the same period, the export duty on cotton yarn was modified on six occasions. The government has levied a 12.5% sales tax on raw materials used by industries set up in the some industrial estate, until 1992-93 budget, this tax had been conceded to attract investment in the area.	Foreign investors find it difficult to operate in a system in which policies and tariff structures undergo frequent changes. This message cannot be encouraging for foreign investors.
	Foreign partners have complained about the complexity of procedures and "red tape" that impede the rapid realization of the project.	The policy of government should be very clear. Pakistan should give to foreign partners all legitimate facilities and assurance and expect that foreign firms will participate in Pakistan endeavour to make the country self sufficient in all the field.

Management Structure

Literature Survey	Field Survey	Comments
The wide inter firm diversity in management styles, organizational structures, and other operational-level variables exists across firms from different parts of the world (Parkhe, 1991).	The organization management consists of seven levels.	Although it is difficult to draw a line between levels but four management levels is better for organizations The four breakdown of management levels is as (i) Top management (ii) Upper Middle Management (iii) Middle Management (iv) Lower Management.

Inadequate Information

Literature Survey	Field Survey	Comments
	Pakistan lacks adequate information-gathering and information dissemination infrastructure. Good information on domestic and foreign supply and demands, prices, availability of technology, financing and government regulations is often unavailable.	Although there existed a good number of collaborations in Pakistan, there had been very limited exchanges of information on their operational experience. Even regional and international agencies involved in promotion and research on collaborations had not been sufficiently engaged in the dissemination of information. Such limited dissemination not only deprived the existing ventures from learning from their respective successes and failures but also left potential organizers and participants in collaborations without any guidance. The pamphlet"Guidelines for opportunities for foreign investors" should be available free of charge in all Pakistani Consulates.

Infrastructure

Literature Survey	Field Survey	Comments
In less developed countries, lack of infrastructure such as transport, telecommunication impedes the collaboration process (Austin, 1990).	Pakistan has very slow growth of facilities in the shape of water, power, telecommunication, electrical, water waste disposal, and other utilities.	Pakistan should acknowledge the rapid and overall infrastructure development. Pakistan must create a local environment that is hospitable for foreign investors.

Mutual Trust and Commitment

Literature Survey	Field Survey	Comments
Asian firms view alliances as a long-term commitment based on mutual trust which takes many years to develop (Truckeret, 1991).	Lack of trust and mutual understanding have been reported by 9 companies.	The Pakistani culture emphasis on patience and long-term focus strongly can influence the approach of strategic alliances. Pakistani cultures place a great deal of emphasis on the obligation and commitment to maintaining the relationship. Pakistani cultures place great value on family bonding, conformity, acceptance of the group consciousness, and most importantly, patience. In the strategic alliance, these values translate into a focus on long-term gain over short-term profit. Trust and long-term-commitment are the heart and soul of a strategic alliance. Strategic alliances should be formed on the basis of trust. The partners must demonstrate their ability to be trusted. Trust is fundamentally a question of feelings. More trust is built via the exchange of information and the inter dependencies that this creates.

Staffing

Literature Survey	Field Survey	Comments
Alliances should be staffed with the best people available (Badger, 1992).	Collaborations are not always staffed with the best people. It is reported that Western firms typically concentrate their best resources in North America and Europe.	Strategic alliances should be staffed with the best people available. From the very early stages of strategic alliance, resources should be pooled and differentiated. Strategic alliances must be staffed with people who can be open and honest with one another. Employees must be able to discuss problems without hiding anything. People who actively work in a strategic alliance relationship must be able to work with others.

Flexibility

Literature Survey	Field Survey	Comments
Legalities can make relationships rigid and reduce responsiveness to changing business conditions (Austin, 1990).	It is observed in 5 cases that there is lack of flexibility and coordination.	Success depends on partner's flexibility. Flexibility can be built in the strategic alliance from the beginning. Fundamentally, flexibility is a managerial state of mind. Flexibility is one of the main operational advantages of strategic alliances.

Negotiation

Literature Survey	Field Survey	Comments
Although negotiations with Asian firms may be difficult for those unaccustomed to the Asian styles, as a general rule great care is taken to ensure that both sides in the negotiation clearly understand all negotiated terms (Kobayshi, 1988; Goldenberg, 1988).	Sometimes it takes 2-3 years for collaboration become operational after collaboration signed. The negotiation process used by Pakistani firms is often confusing to foreign partners. In Pakistan, the negotiatiors want to review in detail all the issues that may come out in the negotiations and thus take time out for deliberation.	The negotiation process must produce a clear understanding of the partner's resources and interests. Only then can be the relationship be built on a solid foundation. This understanding is developed in detailed and open discussions, and through the avoidance of hidden agendas. Undoubtedly, the required degree of openness dictates that the partners are convinced on the sincerity of their counterparts. Openness in the negotiation process requires trust, but it also creates goodwill between the partners. Negotiations must lay a sound foundation for a cooperative relationship.

Conflict Point

Literature Survey	Field Survey	Comments
	Pakistani personnel get less salary than foreign personnel. Private sectors also pay more salaries and wages than public sectors. Too often the foreign representatives go back to their headquarters for approval of their decisions because they don't have authority to make decisions.	Efforts by Pakistan to narrow the gap in salaries between Pakistan and foreign personnel as far as possible are a desirable objective. Strategic alliance could run much more efficiently if the foreign representative were given some more authority and autonomy.

Cultural Differences

Literature Survey	Field Survey	Comments
Due the differences of cultures across the national border, it is one of the major problems in collaboration (Chung & Lee, 1989; Gerlach, 1987). When Joint venture has been formed to marry dissimilar cultures, there is always a risk that the arrangements will fail because partners are too dissimilar and unwilling to compromise (Harrigan, 1985).	Culture difference is not a problem in the collaborations surveyed.	Cross-cultural differences play a vital role in the formation and management of strategic alliances, and they should not be allowed to get in the way of the purpose of the strategic alliance. Pakistani cultures place great value on family bonding, conformity, acceptance of the group consciousness, and most importantly, patience. The partners don't have to be steeped in the language and culture of a country they are doing business with, sometimes that is not wisest course. Value system differences have to be directly addressed. In global corporation partners create their own value systems so that the cultural differences have a minimal impact on the corporate values. When doing business in Pakistan, foreigners have to be aware of the value system differences, but it is difficult to define in black and white what makes value systems different. Foreigners have to be flexible and adhere to the corporate value system.

Learning / Training of Workforce

Literature Survey	Field Survey	Comments
Organizational theorists define learning as "the development of insights, knowledge, and associations between past actions, the effectiveness of those actions, and future actions," and adaption as "the ability to make incremental adjustments" (Parkhe, 1991). Continuous training and up gradation of knowledge of the workforce is necessary (Austin, 1990).	Seven executives mentioned that existing collaboration did not bring the learning opportunities for both the partners.	Regular job-training and training by the foreign partners help the work force in understanding know-how. The communication between universities and technical education institutes can ensure better training of the work force. Training clauses must be spelled out in collaboration agreements.

Interaction, Information and Communication

Literature Survey	Field Survey	Comments
The interaction between the employees of both the partners promotes the flow of information (Derakhashani, 1984). Good communication between the partners can help to reach their goal (Speigel, 1993).	Four CEOs complained that lack of support from the collaborators, particularly when their engineers tried to improve the technology to suit according to the local conditions. Communication problem becomes significant when the collaborators are from non-english speaking country.	Physical and cultural distances complicate communications. Infrequent and imperfect communication can easily cause misunderstandings and turn insignificant operating problems into organization crisis. Set up a system of regularly scheduled communications to keep partners informed of progress

Stability of Relationship

Literature Survey	Field Survey	Comments
Stability of relationship helps in the flow of information between the partners (Derakhshani, 1984).	It is reported by 6 executives that only a few staff people are dedicated full-time to the relationship.	The effective management of relationships to build collaborative advantage requires manager to be sensitive to political, cultural, organizational, and human issues.

Summary

- A strategic alliance must be based on a clear understanding of each partner's resources of interests, focus on a specific goals derives from this understanding, fair to both partners, and carefully to provide flexibility.

- Cooperation management focus on the creation of trust and goodwill creates the best basis for a mutually beneficially relationship. It gives the partner a high degree of tolerance, raises the intensity and openness of communication, and makes operating adjustments and renegotiations easier. Thereby, it protects a relationship from becoming dormant or dysfunctional.

- Both partners have something of value to contribute to the relationship. Their motives for entering into the strategic alliance must be positive.

- The relationship fits major strategic objectives of the partners, so they want to make it work. Partners must have long-term goals in which the relationship play a key role.

- Communication must be open. Partners share information required to make the relationship work, including their objectives and goals, technical data, and knowledge of conflicts, trouble spots, or changing situations.

- The partners must behave toward each other in honourable ways that justify and enhance mutual trust. They should not abuse the information they gain, nor do they undermine each other.

- Strategic alliance is the opportunity for learning. The partners must develop linkages and shared ways of operating so they can work together smoothly. Partners should become both teachers and learners. Joint learning occurs because group problem solving leads to better solutions.

- The partners must need each other. They have complementary assets and skills. Neither can accomplish alone what both can do together.

- Treat the strategic alliance as a personal commitment. It's people that make alliances work.

- Anticipate that strategic alliance will take up management time. If partner can't spare the time, don't start it.

- Make sure both partners have mutual expectations of the strategic alliances. One happy and one unhappy partner is a formula for failure.

- Celebrate achievements together.

- Recognize your partner's interest.

- Strategic alliance relationships don't work on the basis of ownership and control. The potential for such conflict is universal and constant. Where appropriate measures to prevent or reduce such conflicts were undertaken, enterprises have usually done well in achieving their objectives.

- Strategic alliances between companies of different nations provide opportunities to deal with what ever country has the more favourable government environment. The policy of government should be very clear. The government should give to foreign investors all legitimate facilities. The government should acknowledge the rapid and overall infrastructure development and create local environment hospitable for foreign investors.

- Strategic alliances should be supported and committed by whole firms at all levels. All management levels must buy-in and commit to the formation of alliance.

- Strategic alliance negotiations should not solely be aimed at maximizing one's own advantages. Rather it should consider the long term benefit of all parties and make sure that the skills and resources of each partner will be utilized more effectively.

- Strategic alliances should be staffed with the best people available. Employees directly involved in an alliance should be experienced at working in a cooperative atmosphere and must dedicated to the advancement of the alliance. All employees must understand the alliance's objectives and the vision that the participants have for alliance.

Contribution to Strategic Alliances.

Our analysis found that although cross-border alliances pose may challenges, they are in fact viable vehicles for international strategy. Expanding at home in core businesses is often the most appealing growth strategy. But in many industries, it is not an option. Managers are left with the choice of diversifying at home or expanding abroad. We found that expanding through cross-borders alliances is often a much more attractive option than diversifying by acquiring domestically.

The establishment of strategic alliances is beneficial to both countries. While foreign countries play a useful role in the diversifying the production structure of the host country through efficient use of available resources, the host countries also help the foreign countries in many ways. Besides earning foreign exchange through dividends, royalties and know-how charges, they are also instrumental in effecting increasing exports goods.

In structuring strategic alliances, the issue of financial ownership should be separated from managerial control. When one partner has a majority stake, it tends to dominate decision making and put its own interest above those of its partner, or for that matter, of the strategic alliance itself. Both partners tend to be worse off as a consequence. When ownership is uneven, one parent typically exercises control, sometimes in ways that are not in minority partner's interests.

It stands to reason that strategic alliances between two strong partners are a safer than strategic alliances between two weak partners. But many strong companies actually seek smaller or weaker companies to partner with in order to control the strategic alliance. Weaker companies often seek a strong partner to get them out of trouble or to build their skills. Our analysis suggests that these strategies do not work well because the "weak link" becomes a drag on the alliance's competitiveness and cause friction between the parents.

The hallmark of successful strategic alliances that endure in their ability to evolve beyond initial expectations and objectives. This requires autonomy for the alliance and flexibility on the part of the parents.

Flexibility allows strategic alliances to overcome problems and to adapt to changes over time. If they are to evolve, alliances also need the capacity to resolve conflicts. A strategic alliance is best able to resolve or avoid conflicts when it has its own management team and a strong board with operational decision-making authority.

Flexibility is important because it is inevitable that the objectives, resources, and relative power of the parents will gradually change. Even the most astute parent companies cannot anticipate these trends and other events that will occur during the life of the alliance. Flexibility is also needed to overcome problems, which many alliance encounter in one form or another early on. The link between flexibility and success is strong.

Negotiating every aspect of the strategic alliance in excruciating detail and spelling out the rules in legal documents will not guarantee healthy evolution. But there are ways to build in flexibility, namely by giving the alliance a strong president, a full business system of its own (manufacturing, marketing, sales, distribution, and R&D), complete decision-making power on operating issues, a powerful board, and sense of identity.

Parent companies typically retain responsibility for decisions about financing and governance structure, but operating decisions are best made by managers whose sole focus is the strategic alliance. Ensuring that the alliance does not need to depend on either parent for the basic operating functions reinforces the separateness and also simplifies coordination of those activities.

Giving that strategic alliance strong leadership further encourage autonomy. Managers of successful alliances embrace their authority and build employee loyalty to the strategic alliance rather than to that parent companies. Such loyalty is not always easy to cultivate in light of the fact that key employees usually are drawn from the parent companies and are likely to return there. But strong leaders can win the support they need to operate as a freestanding business.

Establishing a strong board of directors is important. Sometimes strategic alliances slip from top management's attention, which may be understandable since they are not really part of the parent companies' everyday operations. Lack of a strong board for the strategic alliance creates delays as key decisions are pass up and down the parent organizations' chains of command.

Strategic alliances are tough to pull off, but they are necessary. While every strategic alliance is unique, there is a lot to be learned from the lessons of existing partnerships.

Managers need to remember that alliances by their nature are laden with tensions. No matter how well structured they are, most alliances get into trouble at one point or another. Strong companies make attractive partners, but they also present a competitive threat over time. The objectives and styles of parents will differ. Neither fifty-fifty nor majority ownership is a guarantee of fair or good management decisions. And as the strategic alliance grows, tensions will arise between the parent and the strategic alliance.

These inherent tensions require more flexibility on the part of the parents than many other business strategies. Alliance managers should structure the alliance to minimize these tensions.

REFERENCES

Abbegglen. J. (1982). "US- Japanese Technological Change Perspective", Technological Change, The US- Japanese experience, NY University Press.

Adams, Eric.J. (1992). "Getting married-The best way to compete internationally may also be the riskiest, World Trade, Vol. 5, Iss. 1, Jan-Feb, pp. 54-56.

Akhtar, Mamoon.M., Monga, Amit., & Dozzi, Peter.S. (1994). "Strategic Alliance- Gateway to Russia", Proceedings of the Conference on Opportunities for US Businesses in NIS, April 21-22, Minot, ND, USA.

Alderich, H & Mueller, S. (1982). The revolution of organization forms: Technology, coordination and control, Research organizational behaviour, pp 33-87.

Alter, Catherine; Hage, Jerald. (1992). "Organizations working together". Sage Publications, International Educational and Professional Publisher, London. pp. 262

Alkhafagi, A. (1986). Technology Transfer: An Overview As related To LDCs, Journal of Technology Transfer, 11 (1), pp. 55-56.

Austin, J.E.(1990). Managing in Developing Countries, The Free Press, New York.

Badarcco, Joseph,L. (1991). "How Firms Compete through Strategic Alliances", Havard Business School Press, Boston, Mass.

Badger, William. W; Donald, Mulligan. E; John, Carter. P; Stevan, Gay. W; Mark, Hell. S; Charles, Markham. S. (1992). "Alliances in International Construction"; Arizona State University.

Baranson, Jack. (1990). "Transnational Strategic Alliance: Why, What, Where and How", Multinational Business, pp. 54-60.

Beamish, P.W. (1985). "The Characteristic of Joint Venture in Developed and Developing Countries", Columbia Journal of World Business, Vol. 20, No. 3, pp. 13-20.

Bery, Varun; Bowers, Thomas. A. (1992). "Rebuilding an Alliance". Collaborating to Compete, John Willey & Sons, pp. 73.

Bleeke, J. & Ernest, D. (1991). "The Way to Win in Cross-Border Alliances", Havard Business Review, Nov-Dec, pp. 127-138.

Bodgen, R. & Bilken, S.K. (1982). Qualitative Research Education, Allyn & Bacon, Inc, Boston, MA. pp. 153.

Brien, Peter & Tullis, Melissa. (1989). "Strategic Alliance: The Shifting Boundaries between Collaboration and Competition", Multinational Business, No. 4, pp. 10-17.

Bronder, Christoph. (1992). A Conceptual frame work for successful, Vol. 10, Iss. 4, Dec, p 412-421.

Bronder, Christopher & Rudolf, Pritzi. (1992). "Developing Strategic Alliance", European Management Journal, Vol. 10, No.4, Dec, pp. 412-420.

Brunner, Hans-Peter. (1991). "Building Technological Capacity: A Case Study of Computer Industry". World Development, Vol. 19, No. 12, pp. 1737-1751.

Burki, Shahid Javaid. (1991). The Continuing Search for Nationhood, pp. 111-154.

Chandler, A.D. (1962). Strategy and Structure: Chapters in the history of industrial enterprise, Cambridge, MA, MIT Press.

Chico, L. (1991). "Bridging the technology gap", Small Enterprise Development, vol. 2, June, pp. 43-47.

Christopher, R.C (1986). Second to None: American Companies in Japan, New York, Crown Publisher

Chung, Kae H. and Lee, Hackchong. (1989). Korean Management Dynamics, New york, Pradger Publishers, pp. 29-31.

Clarke, Christopher.J. & Brennan, Kieren (1990). "Joint Venture- A Key to Strategy", Joint Venture by Eurostudy Publishing Company ltd. pp. 2-3

Collazo, Jose. A (1993) "Strategic Alliances Keeps Customers Plugged in", Management Review, March, pp. 24-25.

Contractor, F. & Lorange, F. (1988). Cooperative Strategies in International Business, Lexington MA, Lexington Book.

Contractor, F. & P. Lorange. (1988). "Why Should Firms Cooperate?" Cooperate Strategies in International Business, Lexington Books, pp. 3-28.

Davidson, W.H. & Mc Fetridge, D.G. (1985). "Key characteristics in the choice of international technology transfer model", Journal of International Business Studies, Summer, pp. 5-21.

Dent, Harry.S. (1990). "Corporation of the Future", Small Business Report, pp. 55-63.

Derakhshani, S. (1984). "Factors affecting success in international transfers of technology- A synthesis and a new contingency model", Developing Economies, Vol. 22, pp. 27-46.

Devlin, Godfrey & Mark Bleackly. (1988). "Strategic Alliance- Guidelines for Success", Long Range Planning, Oct, pp. 18-23.

De Young, Gerrett.H. (1990). "Piecing Together Successful World-Class Partnership", Electronic Business, Vol. 16, Iss. 10, May, 28. pp. 32-40.

Djeflat, A. (1988). "The management of technology transfer: Views and experiences of the developing countries", Int. J. Technology Management, Vol. 3, Nos. 1/2, pp. 149-165.

Doorley, Thomas.L. (1993) "Teaming up for Success", Business Quarterly, Vol. 57, Iss. 4, Summer, pp. 99-103.

Doz, Y. (1988). "Technology Partnerships between Larger and Smaller Firms: Some Critical Issues", In F. Contractor and P. Lorange (Eds), Cooperative Strategies in International Business, Lexington Books, pp. 317-338.

Ekholm, E.L. (1988)."Transferring Technology to Developing Nations", Engineering Management International, No. 5, pp. 45-52.

Economic Review. (1993). Nov, pp. 32.

Geringer, J.E. (1991). "Strategic Determinants of Partner Selection Criteria in International Joint Ventures", Journal of International Business Studies, First Quarter, pp. 41-62.

Gerlach, Michael. (1987). "Business Alliances and the Strategy of the Japanese firms", California Management Review, Fall, pp. 127

Goldenberg, Susan. (1988). Hands Across the Ocean : Managing Joint ventures, With a Spotlight on China and Japan, Boston, Havard Business School Press. pp. 49-50.

Graham, J.L. (1985). "The influence of Culture on the Process of Business Negotiations: An Exploratory Study", Journal of International Business Studies, Spring.

Habibie, B.J. (1990). "Sophisticating technologies: Taking root in developing countries", Int. J. of Technology Management, Vol. 5, pp. 489-497.

Hage, J. (1984). Organizational theory and concept of productivity, Productivity research in the behaviourial and social science, New York, pp. 91-126.

Hamel. ·ary. (1991). "Competition for Competence and Inter partner Learning within International Strategic Alliances", Strategic Management Journal, Vol.12, pp. 83-103.

Hamel.G, Doz.Y.L & Prahald.C.K (1989) "Collaboration with your Partners- and Win", Havard Business Review, Jan-Feb, pp. 133-139.

Harrigan, Kathryn.R. (1985). "Strategies for Joint Ventures", Lexington Books.

Harrigan, K.R. (1986). Managing for Joint Venture Success, Lexington Books.

Harrigan, Kathryn.R. (1987). "Strategic Alliances: Their New Role in Global Competition", The Columbia Journal of World Business, Summer, pp. 67-69.

Haque, Ansarul. (1993). " Role of multinational Companies", Economic Review, Nov, PP. 32.

Hendryx, S.R. (1986). "The China trade: Making the Deal Work", Havard Business Review, July-Aug, pp. 75-84.

Henry, D. (1991). "Technology Transfer, Old Myths and New Realities", Journal of Developing Societies, Vol. VII, pp. 97-109.

Henry, Lawrence. (1991). "Marriage of Convenience", CFO: The Magazine for Senior Financial Executives, Vol. 7, Iss. 7, July, pp. 28-36.

Hergert, M.& Morris,D. (1988). "Trades in International Collaborative agreements", Cooperative Strategies in International Business, Lexington, MA, Lexington Books.

Herther, J.K. (1986). External Technology Development Strategies in the Defence Electronic Industry, M.I.T Press.

Hladik, K. (1988). "R & D and International Joint Ventures", Cooperative Strategies in International Business, Lexington, MA, Lexington Book, pp. 187-204

Hull, Frank & Slowinski (1988) "Strategic Partnership between Small and Large Firms in High technology: A Theoretical Framework for Analysis", American Academy of Management, New Orleans.

Hull, F.G. Slowinski & P Collins. (1988). "Entrepreneurial Strategies for Effective Partnering with Corporations in High Technology: A Preliminary Analysis", Proceedings of Managing the High Technology Firm Conference, University of Colorado at Boulder, pp. 200-207.

James, Jr.Harvey & Weidenbaum, Murray. (1993). "When Businesses Cross International Borders", Published with the centre for strategies and international studies, Washington, pp. 62-71.

Kahn, Douglas.R. (1992). "Collaborating to Compete", Chief Executives, Nov-Dec, PP. 38-54.

Kakazu, H. (1990). "Industrial Technological Capabilities and Policies in Asian Developing Countries", Asian Development Review, Vol. 8, No. 2, pp. 46-66.

Kanter, Rosbeth Moss. (1989). "When Giant Learn to Dance", pp. 347-349.

Kanter, Rosbeth Moss. (1990). "When Giants Learn Cooperative Strategies", Planning Review, Jan-Feb, pp. 15-22.

Kanter, Rosbeth Moss. (1994). "Collaborative Advantage: The Art of Alliances", Havard Business Review, July-Aug, pp. 96-108.

Kardar, Shahid. (1992). "Heaven or Hell", Herald, August, pp. 106-110.

Khanna, K.C. (1968). "Foreign Collaboration- Concern over high costs", Times of India, May, 24.

Kobayashi, Noritake. (1988). "Strategic Alliances with Japanese Firms", Long Range Planning, April, pp. 33.

Kogut, B & Singh, H. (1988). "Entering the US by Joint Venture: Competitive rivalry and Industrial Structure", Cooperative Strategies in International Business, Lexington, MA, Lexington Books, pp. 241-251.

Konsynski, B.R (1987). "Strategic Alliance: Some Problems and Solutions", International Journal of Technology Management, Vol. 2, No. 2.

Kotler, P. & Singh, R. (1981). "Marketing Welfare in the 1980s", Journal of Business Strategy, Winter, pp. 30-41.

Kraar, Louis(1991), "The Growing Power of Asia", Fortune, Oct,7.

Kulkosky, Victor. (1989). "Strategic Alliances Buoy New Technology Boom", Wall Street Computer Review, pp. 19-24, 86.

Laycock, Anthony.(1993). "Strategic alliances aid competitiveness", Canadian Insurance, Vol. 98. Iss. 7, pp. 24-25.

Leghari, Farooq Ahmad. (1994). President of Pakistan, Sept, 24.

Lewis, Jordan.D. (1990). Partnerships for Profit, Collier Macmillian Publisher, London.

Lewis, Jordan.D. (1991). "Competitive alliances redefine companies", Management Review, Vol. 80, Iss. 4, April, pp. 14-18.

Lewis, Jordan.D.(1992). "New Power of Strategic Alliances", Planning Review, Vol. 20, Iss. 5, Sept-Oct, pp. 45-46, 62.

Lorange, Peters. (1991). "Relationship on Trust", Journal of Business Strategy, Vol. 12, Iss, 1, Jan-Feb, pp. 25-30.

Mc Farlan, F.W (1990). "Information Partnerships- Shared Data, Shared Scale", Havard Business Review, Sept-Oct, pp. 114-120.

Mcwillon, J.A. & Schumacher.S. (1989). Research Education: A Conceptual Introduction, 2 nd Ed, Harper Collins.

Madely, John. (1993). Trade and the Poor, St Martin Press, pp. 41.

Madu, C.N. (1988). "Economic Decision Model For Technology Transfer", Engineering Management International, No. 5. pp. 53-62.

Madu, C.N. (1989). "Transferring Technology to Developing Countries-Critical Factors for Success", Long Range Planning, Vol. 22, No. 4, pp. 115-124.

Magee, John.F. (1992). "Overcoming Barriers to Success", Chief Executives, Nov-Dec, pp. 56-61.

Mahmood, Ashfaq & Akram, M. (1988). "Petroleum Sector Investment Requirement of Pakistan", Hydrocarbon Development Institute of Pakistan.

Mason, Julie Cohn. (1993). "Strategic Alliance: Partnering for Success", Management Review, May, pp. 10-15.

Merrifield, Bruce.D. (1992). "Global Strategic Alliances among Firms", International Journal of Technology Management, Vol. 7, Iss. 1-3, pp. 77-83.

Mintzberg, H. (1979). Made in America, Cambridge, MIT Press.

Moxon, R & Rohl, T. (1988). "International Cooperative Venture in the Commercial Aircraft Industry: Gains, Sure, but what's my share?", Cooperative Strategies in International Business, Lexington, MA; Lexington Books, pp. 255-278.

Murray, Edvin.A. & Mahon John.F.(1993). "Strategic Alliances: Gateway to the New Europe", Long Range Planning, Vol. 26, No. 4, pp. 102-111.

Mytelka, Lynn. (1987). The Political Economy of Strategic Partnering, Investment Canada, IC Cat. No. RT-87-03.

Neale, Bill & Pass, Chris. (1992). "Dealing with Eastern Europe", Management Accounting, June, pp. 46-49.

Niederkofler, Martin. (1991). "The Evolution of Strategic Alliances: Opportunities for Managerial Influence", Journal of Business Venturing, Vol. 6, Iss. 4, July, pp. 237-257.

Olive, Patric. W. & Montgomery, J.A. (1993). "Strategic Alliances Joint Venture Program of Durham Region, Ontario," Economic Development Review, Winter, pp. 34-39.

Pakistan Economic Survey (1990). Published by Government of Pakistan.

Parkhe, Arvind. (1991). "International Diversity Organisational Learning and Longevity in the Global Strategic Alliances", Journal of International Business Studies, 4 th Quarter, pp. 579-599.

Phillips, John. T. (1991). "A good strategic alliance", ARMA Records Management Quarterly, Vol. 25, Iss. 2, April, pp. 44-48, 57.

Pollack, A. (1992). Technology without border raises big questions for joint ventures, New York Times, Jan. 1, pp. 1

Porter, M.E (1980). "Competitive Strategy: Techniques for Analyzing Industries and Competitors, NY, Free Press

Posner, B.G. (1985)."Strategic Alliance", Inc, June, pp. 74-78, 80

Powell, N.W. (1990)." Neither market nor hierarchy: Net Works forms of Organizations", Research in Organizational behaviour , Green witch, CT, JAI Press, pp. 295-336.

Poznanski, K.Z. (1984). Technology Transfer: West- South perspective, World Politics, 37(1), pp. 135-152.

Prahalad, C.K & Hamel Gary. (1990). "The Core Competence of the Corporation", Havard Business Review, May-June, pp. 79-91.

Prasad, B.S. (1986). Technology Transfer: The approach of a Dutch multinational , Technovation (Netherlands), 4(1), pp. 3-15.

Quintana, Q. (1984). A Viable Consideration of developing nations, Journal of Academy of Marketing Science, 12 (1,2), pp. 38-48.

Rainey, H.G, Backoff, R.W & Levine, C.H. (1976). "Compering Public and Private Organizations", Public Adminstration Review, March-April. pp-233-244.

Reynolds, J.F (1984). "The Pinched Shoe: Effect of International Joint Venture" , Columbia Journal of World Business, Vol. 19, No. 2, pp. 23-29.

Robert, Michel. (1992). "The Do's and Don'ts of Strategic Alliances", Journal of Business Strategy, Vol. 13, Iss. 2, March-April, pp. 50-53.

Roberts, Roger.F. (1992). "Competition and Corporation: The Role of Strategic Alliance," Executive Speeches, Oct-Nov, Vol. 7, No. 2, pp. 13-15.

Robinson,R. & Pearee, J (1988). "Strategic Management", Strategic Formulation and Implementation, 3rd Ed, Irwin Homewood,III, pp. 7

Root, F.R (1988). "Some Taxonomoies of Cooperative Arrangements", Cooperative Strategies in International Business, Lexington, Mass.

Rostow. W.W. (1967). The Stage of Economic Growth: A Non-Communist Manifesto, Cambridge Press, New York.

Schlender, Brenton.R. (1993). "How Toshiba Makes Alliances Work", Fortune, oct,4.

Sherman, Stratford. (1992). "Are Strategic Alliance Working", Fortune, Sept,21.

Singh, Z.N. (1983). Technology Transfer and Economic Development: Models and practices for the developing countries, UNZ & Company, Division of Scott Printing Corporation, Jersey City, NJ.

Slowinski, Gene. (1992). "The Human Touch in Successful Strategic Alliances", Merger & Acquisition, July-Aug, pp. 44-47.

Speigal, Francis.H. ((1993). "Strategic Alliances, With Care and Creativity", Financial Executive, Marh-April, pp. 29-31.

Sweeney, J.K. (1970). "A Small Company Enters the European Market", Havard Business Review, Sept-Oct, pp. 126-132.

Takac, Paul.F. & C.P.Singh (1992). "Strategic Alliances in Banking", Management Decision, Vol. 30, No. 1, pp-32-43.

Thomson, Kevin. D. (1993). "Forging a perfect partnership", Black Enterprise, Sept, pp. 66-70.

Tucker, R.L.et al (1991). JTEC Pannel Reporton Construction Technologies in Japan", US national Technical Information Service.

Turpin, Dominique. (1993). "Strategic Alliances with Japanese Firms: Myths and Realities", Long Range Planning, Vol. 26, No. 4, PP. 11-15.

UNCTAD, (1992). Issues for consideration in the establishment of work programme, TD/B/WG.5/2.

UNIDO, (1976). Guidelines for Contracting for Industrial Projects in Developing Countries, United Nations Publication, pp. 27.

Van de Ven, A.H. (1976). "On the Nature, Formation and Maintenance of Relations among Organizations", Academy of Management Review, Vol. 1, No. 4, pp. 24-36.

Venture Economics. (1986). "Strategic Corporate Partnering in Canada: Combining the Strengths and Weaknesses of Large and Small Firms, Venture Economics Special Report.

Voll, S.P. (1980). A Plough in Field Arable: Western Agribusiness in Third World Agriculture, Handover, New Hampshire: University Press of New England.

Weimer, George (1988). "Business Without Boundaries", CAE, Vol. 7, No. 11, Nov, pp. IM2-IM30.

Wellington. (1973). The Colombo Plan, pp. 133-150

Weston, Mark. (1992). The Land and People of Pakistan, Harpar Collins Publisher, pp. 174-180.

World Bank. (1990). World Development Report. Washington, D.C

World Bank. (1992). World Development Report, Washington, D.C.

Wright, R. W.(1979). "Joint Venture Problems in Japan", Columbia Journal of World Business, Vol. 11, pp. 25-31.

York, K. & Gorbis, M (1986)."Strategic Partnerships: A New Corporate Response, SRI International. pp. 21.

Zafar, Altaf. (1983). Pakistani Entrepreneurs, Croom Helm, London & Camberra, pp. 42-45.

Zuckerman, H. & Kaluzny, A. (1990). "Strategic alliances in health care, The challenges of cooperation", Frontiers of Health Service Management, 7(3), pp.3-35.

Questionnaire

Part A. Personal Data :

1. Your name ---
2. Your position ---
3. Name of your company ---
4. Address ---
5. Number of employees () 1-50 () 51-100 () 101-500 () 500 and above
6. Net worth of your company in 1992-93 fiscal year --------------------------------------
7. Total revenue earned in current fiscal year---

Part B. Form and Structure of the Collaboration / Agreement

1. What type of collaboration do you have with your foreign partner ?
   (please check more than one boxes if necessary)

   () strategic alliance (base on long-term-commitment and trust)
   () joint venture without any investment by the foreign company
   () equity joint venture with the foreign company
   (please provide the percentage of foreign equity) -------------------------------------
   () licensing or Cross-licensing agreements
   () turnkey project
   () product-in-hand contract
   () consulting and/or engineering contract
   () Sub-Contracting
   () Franchising
   () Long-term supply contracts
   () other (please specify)---

2. What form of agreement is used?

   () formal contract
   () memorandum of understanding
   () verbal

3. Have any adjustments been made to the legal agreement over the life of the collaboration? ---

4. Has the "Scope" of the collaboration been enlarged or reduced over the life of the collaboration? If so, in what way has the scope of the collaboration changed, and what motivated those changes?---
----
----

5. In general, what forms does the collaboration take? Which activities are joint".

   () Research
   () Development
   () Marketing
   () Manufacturing
   () Other--------

6. Has the "form" of the collaboration changed in any way over the life of the collaboration? If so, in what way has the form of the collaboration changed, and what has motivated these changes?
   (Please specify)--
   ----

7. Who initiated the formation of collaboration?
   (please check more than one boxes if necessary)

   () we contacted them directly
   () we contacted them through Government of Pakistan
   () we contacted them through the diplomatic / trade mission of that country
   () we contacted them through some other agency(please specify)

   ----

8. Name of the collaborator--

9. Address of the collaborator---
   ----

10. Please give us the details of the type of business for which you collaborated.---
   ----

11. Did you receive any financial assistance from government ?
   () Yes () No
   If "Yes", please give the details--
   ----

12. When was the participant agreement to form collaboration signed?
----

13. When did the collaboration become operational?---

14. If there is significant lapse of time between the formation and the start of operations, please state the reasons.---
----

15. Please specify the type of R&D you have

() Complete and Separate
() No R&D units
() In-house

16. Please elaborate on type of R&D activities performed-----------------------------------
----
----

17. Did you believe your partner has a different objectives and goals from those of your own firm.--
----

18. If you were to enter into another collaborative venture with foreign entity , what type of agreement will you prefer, please give your previous experience with foreign collaborations.

() strategic alliance (base on long-term commitment and trust).
() imports of know-how
() joint venture without any investment by the foreign company.
() equity joint venture with foreign company.
(please provide the percentage of foreign equity you would prefer)

() Other (please specify)

19. Please explain your reason for choosing the answer to question 18.
----

20. What considerations are different in forming collaborations in Pakistan than the other countries?

() Cultural differences?
() Government requirements?
() Financial requirements?
() Other (Please specify)---

21. In your view and experience, what are the critical management problems in your collaboration. Which effect its efficient operation?

() Lack of trained staff
() Frequent turnover of staff
() Inadequate compensation levels
() Complex and time-consuming decision-making processes
() Lack of clear-cut accountability and periodic performance evaluation
() Insufficient policy guidance from top-levels management
() Other critical management problems in your collaboration (please specify)-----------
----
----

22. In your opinion, what would be done to solve the above problems?
Please specify in detail.--

----

23. Does the collaborations receive regular policy guidance from the government on major issues such as pricing, policies, profit levels, raising investment resources, source of finance, etc? Please specify issues and frequency.--
----

Part C. Motivation:

1. What strategies are used in forming a collaboration ?
(please check more than one box if necessary)

() to access technology.
() to open a new product line.
() to improve the existing product line.
() to gain an advantage over competitors in the home market.
() to counter our competitors who have foreign collaboration(s).
() to get an exposure to international business practices.
() lack of trained manpower to handle any new technology.
() lack of experience with the type of technology we would like to have.
() prestige.
() to share risk.
() to share profit.
() to enter a new market.
() other(please specify)---
----

2. Please rate the three factors, from the above list, which you consider to be the most significant.

Factor Number 1.----------------
Factor Number 2.----------------
Factor Number 3.----------------

3. What was your position in business at the time you entered the collaboration?

() Market share
() Rate of new product introduction
() R&D budget
() Growth rate
() Geographic coverage
() Revenue and profit
() Others----------------------

4. What was your partner's position in the business at the time the collaboration was formed (in terms of the above parameters)--
----

5. Why collaboration?

() Why did you choose collaboration vs other arrangement (eg. go-it-alone)?--------
----

() Was an collaboration seem as a best option, if so why?------------------------------
----

6. What were the weaknesses in your skills profile or market position that led you to seek a partner? What strengths did you have that made you a potentially attractive partner?

----

7. What were the weaknesses in your partner's skills profile or market position that led them to seek a collaboration? What strengths did your partner possess that made them a potentially attractive partner? ---
----
----

8. Do you think both partners needed each other equally at the time the collaboration was formed? --
----

9. What criteria are used to choose the particular partner ?
(please check more than one boxes if necessary)

() they were there market leaders in this field.
() they had the most advanced techanical knowledge in this particular field.
() they were the only one with the techanical knowledge sought for.
() they were the only one willing to collaborate with us.
() they were willing to invest.
() they had the full line of products and /or services in this field.
() we were given the permission to use their trademark.
() current/past agreement and relationships
() culture.
() similar corporate philosophy.
() other(please specify)

10. Please rate three factors, from the above list, which you consider to be the most significant.

Factor Number 1.----------------
Factor Number 2.----------------
Factor Number 3.-----------------

Part D. Relationship at the Operating level:

1. How many employees, from each partner, spend the majority of their time working within the framework of the collaboration?---
----

2. What skills do these employees have?---
----

3. How were these employees selected?---
----

4. What is the average number of years such an employee devotes to the collaboration?
----

5. What is the level, type and frequency of contacts between employees of the two partners?---

6. How are joint tasks structured?
() Composition of joint team?
() Division of responsibilities?
() Setting schedules and priorities?
() Other--------------------------

7. What types of conflict arise at the operating level?--------------------------------------
----

8. How do these conflicts get resolved?---

----

9. How is managerial "control" exercised within collaboration?---------------------------
----

10. How are "joint" decisions made?--

----

11. What are the most contentious issues that have arisen in the collaboration?--
----
----

12. Through what means have they been resolved?---

Part E. Training of Manpower

1. Did you have training clauses spelled out in the agreement ?

()Yes ()No

2. How did you train your local manpower to use the foreign technology ? (please check more than one boxes if necessary)

() Our engineers and technicians were trained by the experts from the collaborating foreign company.
() Our engineers and technicians were trained by the foreign experts other than the collaborating foreign company.
() We organised training programs by hiring local experts.
() Our engineers received overseas training in the facilities of our collaborator.
() Other (please specify)--

() No training was necessary.

Part F. Board of Director

1. Describe briefly the main components of collaboration (eg. enterprise management headed by a managing director, management board/executive board/board of directors).

Key components	Authority and responsibilities
------------------------	--
------------------------	--
------------------------	--

2. How many are members are on the board of directors?---------------------------------

3. What are the criteria for the selection or appointment of the member of the board of directors?--
----
----

4. What is the duration of appointment of the members of the board of directors?------

5. How often the board of directors meet? --

6. What is the relationship between the Board of directors and the governments? Does the Board submit periodic reports to governments? Please specify.--------------------------
----

Part G. Vision of The Future:

1. What is your view of the future trends of agreement/collaboration within the next five to ten years ? Is the trend toward collaboration in increasing? If so, why.---------------------
----
----

2. Is present collaboration an innovative approach to doing business ? If so, why.

----

3. Any other comment or information you wish to share with us which will facilitate our understanding of the system and operation of your collaboration (Use additional sheets if necessary).--
----

Part H. Opinion

SA- Strongly Agree; A- Agree; N- Neutral ; D- Disagree; SD- Strongly Disagree (Please check the appropriate boxes)					
Control, Communication, culture and Training					
Foreign associate should have some control over decisions regarding the venture.	SA	A	N	D	SD
Foreign associate should have no control in the managerial decisions of the jointly owned entity.	SA	A	N	D	SD
We should have received some more training for better understanding of the foreign know-how we use.	SA	A	N	D	SD
There should be regular training sessions by foreign associate.	SA	A	N	D	SD
There is a need to have more personal interaction with our foreign associate.	SA	A	N	D	SD
We are not always updated by our foreign associates.	SA	A	N	D	SD
We encountered communication problems with our foreign associate due to language barriers and cultural differences.	SA	A	N	D	SD
Government policies					
The government policy encourages foreign collaborations.	SA	A	N	D	SD
The government institutions are performing satisfactorily in providing information to the prospective industries about the possible foreign possible collaborations.	SA	A	N	D	SD
The government should create awards for outstanding inventions, innovations and entrepreneurial excellence.	SA	A	N	D	SD
The government should introduce proper laws for protection of patents and copyrights.	SA	A	N	D	SD
Governmental R&D institution should be privatised to get better output.	SA	A	N	D	SD
Government should establish a liaison office for the linking the industry, university and the R&D organizations.	SA	A	N	D	SD