

# **Effectiveness of the companies participating in international strategic alliances: methodological and analytical aspects**

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## **Abstract**

The article deals with the theoretical, methodological and analytical issues of the development of international strategic alliances that are becoming of increasing importance in the development of global markets and determine the general trends of technological and socio-economic business development. Identification of the content characteristics of the concept international strategic alliance allows outlining the functional areas of analysing their effectiveness. In accordance with the stages of forming the information and analytical support for managerial decisions regarding international strategic alliances, the author suggests the algorithm for analysing the effectiveness of their activities, as well as formulates the task of each stage systematize a set of indicators. The algorithm for calculating synergistic effects is proposed in the article and their qualitative characteristics from the standpoint of internal and external-oriented analysis are presented taking into account the potential of international strategic alliances for synergy. The practical issues of the development of international strategic alliances are presented in the example of Renault-Nissan-Mitsubishi Alliance, which gives an opportunity to outline both the issues of cooperation of participants and strategic guidelines. Discussion issues include the grouping of the advantages and disadvantages of the functioning of international strategic alliances. The results of the study suggest the principles of managing strategic alliances in the modern economy.

**Keywords:** international strategic alliances, methodological approaches, synergistic effects, advantages, principles of management.

## **Introduction**

The process of integration, the result of which at the micro level is the formation, including international strategic alliances (ISA), is one of the key factors in the development of the economy at the present.

The worsening competition in world markets, the high dynamics of technological development and the growth of the cost of innovation is far from a complete list of challenges facing modern, even global companies. International strategic alliances is the very form of association used by separate enterprises to accelerate the dynamics of development, strengthening of competitive positions, etc.

The most significant in the world include the following strategic alliances: IBM and Apple (1991) (in total, IBM has consolidated nearly 1000 strategic alliances), Toyota and BMW (2011), Microsoft and Nokia (2011), Coca Cola and Endomondo (2012), GM and PSA Peugeot Citroen (2012), Mazda and Toyota (2017), Mahindra Group and Ford Motor Company (2017), others. In general, Fortune 500 companies (Global 500, 2018) have an average of 50–70 alliances each. These facts indicate the spread of integration processes at the micro level and their strategic importance for the further development of participants, and therefore their research is important at all stages of development.

The development of international strategic alliances has been actively explored by scientists since the mid-1990s, when the integration and globalization processes intensified.

Thus, the theoretical positions of the development of international strategic alliances, namely, the content characteristics of the concept, forms and stages of development are presented in Bohachev (2009), Hamel. (1991), Holmberg (2009), Kanter (1994), Kauser and Shaw (2004), Vyas, Shelburn and Rogers (1995), Wohlsletter, Smith and Malloy (2005). The development of international strategic alliances from the point of view of the resource theory and the theory of strategic management is disclosed in the writings of Aaker (2002), Das and Teng (2000), Khanna (2010), Lin and Cheng (2010), Mowla (2012), Pellicelli (2003), Zamir, Sahar and Zafar (2014). The issue of the effectiveness of the activities of international strategic alliances in the context of determining the main factors of the forming the competitive advantages becomes the subject of research in the works of Hamel (1991), Holmberg and Cummings (2009), Kasych (2011), Mowla (2012), Schreiner, Kale and Corsten (2009).

Considerably less attention is paid to the issue of the methodological provision of the processes for analysing the performance of international strategic alliances, which needs to be streamlined and integrated. It is often an issue of analysing the feasibility of creating an ISA, but the effectiveness of managing ISA activities depends on the availability of comprehensive information at all stages of creating and operating an ISA.

## **Methods and Data**

The purpose of this article is to develop methodological provisions for analysing the effectiveness of the activities of the international strategic alliance and its participants, formed based on integrating effects in different functional areas. The aim is achieved due to:

- studying the theoretical positions of the processes of developing the international strategic alliances;
- systematizing the existing methods of analysis and justifying the directions of their improvement;
- conducting research on the effectiveness of the functioning of international strategic alliances and their participants on concrete examples;
- formulating general tendencies of developing the international strategic alliances;
- substantiating the principles of effective strategic management of the activities of international strategic alliances.

It is expedient to use the following main methodological approaches to solve the tasks: the integrated and the system approach, the resource and the functional or structural-functional approach and the strategic approach.

**The integrated approach** determines the need to explore not separate aspects of the ISA and its participants, but all subsystems and all aspects of its operation. The processes of creating ISA and their subsequent developing result in the rapid consolidation, complication of the research object, and therefore there is a need to explore the new aspects and scope of the ISA and its participants.

**The system approach** to the analysis of the ISA activity determines the necessity of studying the entire system of interconnections between the subsystems of the participating enterprises, whose composition is increasing, as well as their dependence on the impacts of the complex and dynamic external environment. Expanding the scope of the ISA causes its dependence on those factors that did not have a significant impact on the previous stages of development.

**The resource approach** lies in the fact that each organization has a unique set of resources that distinguish it from other industry enterprises. In addition, while the classical analysis is aimed at analysing the use of productive resources, the strategic one aims at studying the whole complex of the enterprise resources. Accordingly, the task of strategic analysis is to ensure that the enterprise receives, distributes and uses a unique set of resources to provide an effective response to the challenges of the external environment in order to provide competitive advantages.

**The functional or structural-functional approach** lies in the need for a quantitative assessment of the structural changes that are carried out by participants in order to ensure the effective performance of the ISA functions. Each system performs certain functions, and a system such as ISA has a wider list and more complex operational conditions. The process of developing a strategy at participating companies provides for their coordination within the ISA framework.

**The strategic approach** defines the understanding of the strategic importance of management decisions for the ISA creation, and therefore, the methodology for analysing the processes of ISA forming and operating should: provide a combination of

internal (actually complex) and external (aimed at determining the position in the external environment) analysis; anticipate the use of modern methods developed by leading scientists and advisory groups.

The complexity of the analysing the ISA effectiveness is caused by certain circumstances, which are considered necessary in the process of developing a methodology:

1. When assessing the effectiveness of the strategic alliance, experts also use indicators that cannot be measured quantitatively. In general, the following should be used: quantitative assessment methods, quality assessment systems and combined (mixed) assessment methods.
2. The method of analysing the ISA should be distinguished by a multi-level approach that is to be reflected as a comprehensive assessment of the strategic positions of the enterprise compared with competitors, and provide a detailed description of the individual components of the strategic potential.
3. The analysis should combine the retrospective, operational and perspective aspects of the study. The laconic wording of the success criteria of a strategic alliance proposed by American experts, Blake and Ernst (1995), should be indicated in connection with the foregoing. In their opinion, the strategic alliance, in the course of which the planned strategic objectives of each of the partners are achieved and all the costs incurred are paid off, should be considered successful. However, it should be clarified that not only the goals of each of the partners, but also the common goals that must be established at the signing of the strategic agreement, must be fulfilled.

As a type of combined assessment, one can consider the ballistic approach offered by (Alliance Operation Effectiveness Assessment, 2009), which specializes in providing consulting services in the formation of strategic alliances. When doing such an assessment, it is necessary to conduct a survey of leading employees of the partner companies and involved experts. They should set an estimate from 0 to 10 for each of the fifteen criteria developed and divided by (Alliance Operation Effectiveness Assessment, 2009) into nine groups: quality of collaboration, information sharing, resource utilization, management, trust and transparency, commercial success, relationships, reputation.

However, universal methods have not been developed. Moreover, given the dynamics and scale of the studied processes, the search for new approaches to their analysis is not stopped.

## **Results**

The history of successful strategic alliances is a decade of successful activity, even when they have not had the characteristics of the strategic ones yet.

Strategic alliances between companies from different countries are becoming more widespread. At present, there are several thousands of them. The goals of such strategic

alliances are different, but more often, it is a combination the scientific potential of corporations, production co-operation and the division of risks mainly without mutual absorption.

The economic encyclopaedia defines an alliance (from French Alliance – Union) as “a union, association of several organizations, enterprises on a contractual basis” (The economic encyclopaedia, 2000, p. 34). The concept of strategic alliances and international strategic alliances is used in the science and practice of management. Definitions that allow us to establish the key essential characteristics of the concept of “international strategic alliance” are presented in Table. 1.

Tab. 1. The economic essence of the concept of “international strategic alliance”

<b>Author</b>	<b>Essence</b>	<b>Base characteristic</b>
Pellicelli (2003)	CAs are agreements between companies (partners) to achieve goals of common interest.	Target orientation of activity
Bohachev (2009)	An international strategic alliance is a formal or informal alliance of companies located in different countries, created to combine resources to address reorganization tasks, increase market efficiency or achieve a “scale effect”.	Combining resources, achieving scale effects
Mykhailova (2007)	The international strategic alliance (ISA) is a relatively long inter-organizational cooperation agreement that involves sharing resources and (or) management structures for two or more independent firms from several countries to meet the challenges associated with the mission of each of them.	Duration of cooperation
Pivovarov (2009)	The international strategic alliance (ISA) is a functional agreement (for example, joint research and development, production development, product development, consortia, etc.), asset participation agreements, such as the creation of a new organization (for example, joint ventures), and without the formation of a new organization (mutual exchange of shares, acquisition of a small share of participation).	Functional basis of interaction
Kozachenko and Shulzhenko (2014)	Strategic alliance is a system of partnership and hierarchical relations of various organizational and legal forms between economic entities that preserve a certain autonomy and autonomy of activity, which is built indefinitely for a long time on the property and non-property basis in order to effectively use material and intangible resources, to achieve of common goals during a certain time span, the pursuit of strategic and current shared interests, risk sharing, control and the results of joint activities between the members of the alliance.	Preservation of autonomy and autonomy of activity
Aaker (2002)	SA is the cooperation between two or more organizations, in which participants use their strengths to achieve a common strategic goal.	Use of strengths

Source: Systematized by the author.

In general, **international strategic alliances** are a business concept for enterprise development, implementation of which involves the formation of stable relationships and ensuring effective interaction between individual enterprises in order to create greater value and develop competitive advantages compared with other market players.

The identification of the content characteristics of the ISA concept allows outlining those aspects of the functioning of alliances, which should be taken into account in the process of analysing the effectiveness of their activities.

1. *Target orientation of the ISA activity* determines the need to study the content of the strategies of participating companies in the context of their alignment and additions.

2. ISA gives participants the opportunity *to combine their resources*, cooperate in any area of interests, provide significant flexibility to their joint activities, sharing all the risks among themselves, which is in line with their common interests, hence an important area of analysis, is the analysis of resource support activities.

3. The duration of the ISA existence determines the time horizon for the analysis and the need to calculate forecast indicators on a variant basis, depending on the forms of interaction and development goals.

4. Interaction of the ISA participants may take place within one or more functional areas of activity, respectively, during the study of the ISA effectiveness it is necessary to carry out a meaningful analysis of the functions that are or will occur in the interaction.

5. ISA is aimed at using and strengthening the strengths of the participants. Accordingly, the study should monitor the strengths and weaknesses of not only the ISA and participants, but also in comparison with competitors.

In the world of practice, both large and small companies, unite efforts to succeed on the market and to achieve the goal. That is why the need to develop a methodology for analysing the prerequisites, expediency and implications of ISA is of great importance.

According to the research by international organizations (McKinsey&Company, 2010), the main driving forces for the formation of alliances are: a decrease in the value of products and the possibility of entering new markets in the pharmaceutical sector; the unification of efforts to develop new global products and communications systems standards in the field of communications; the combination of financial and technological efforts to develop more environmentally friendly vehicles and engines, as well as to achieve saving due to the production scales and to enter new markets in the automotive sector; reducing costs in developing common booking and ticket sales systems, customer service in the field of air transportation, etc.

Making a decision on the company's entry into an international alliance and its existence is a complicated process. Since the role of the results of the analysis is decisive for making managerial decisions and for creating and operating the ISA, we will present the analysis methodology in accordance with the objectives of the enterprise management system.

The proposed algorithm for analysing the ISA is presented in Table 2.

Tab. 2. Stages of forming informational and analytical support of managerial decisions concerning international strategic alliances

Stages	Goal	Key quantitative indicators	Key qualitative characteristics
<b>I. Justifying the feasibility of ISA creating</b>			
Stage 1 Researching the main results of financial and economic activity of the enterprises to participate in ISA	Identifying the main economic preconditions for joining the alliance	<ul style="list-style-type: none"> <li>- dynamics of production volume;</li> <li>- sales dynamics including exports;</li> <li>- dynamics of the number of employees;</li> <li>- dynamics of financial results and financial condition of the enterprise;</li> <li>- dynamics of capital investments and in R&amp;D;</li> <li>- market value of the company and stock prices</li> </ul>	<ul style="list-style-type: none"> <li>- competitiveness of products;</li> <li>- image of the enterprise;</li> <li>- corporate culture;</li> <li>- quality of management</li> </ul>
Stage 2 Determining of the economic conditions of forming the alliance	Exploring the optimal balance of participants in the alliance	<ul style="list-style-type: none"> <li>- percentage ratio of alliance members;</li> <li>- costs that the participants are able to direct to finance joint projects and processes</li> </ul>	<ul style="list-style-type: none"> <li>- kind of alliance;</li> <li>- form of interaction;</li> <li>- list of functions that are consistent</li> </ul>
Stage 3 Analysing the resources which are consolidated in the process of creating an alliance	Setting the role of the alliance in the business processes of participating companies	<ul style="list-style-type: none"> <li>- value of investments aimed at the projects of the alliance;</li> <li>- amount of research funding;</li> <li>- number of staff</li> </ul>	<ul style="list-style-type: none"> <li>- list of activities that are agreed within the alliance;</li> </ul>
<b>II. Determining the effectiveness of the ISA operation and the development strategy</b>			
Stage 4 Determining the effect of interaction between participating companies	Determining the effectiveness of the alliance creation agreement and the synergy effect from engagement.	<ul style="list-style-type: none"> <li>- increase in the number of jobs;</li> <li>- growth of production volumes;</li> <li>- reduction of production cost;</li> <li>- R&amp;D investment and expenditures</li> <li>- increase in production and sales;</li> <li>- increase in the value of shares and enterprises</li> </ul>	<ul style="list-style-type: none"> <li>- personnel training;</li> <li>- formation of the image of the alliance as a whole;</li> <li>- improvement of the system and management structure</li> </ul>
Stage 5 Developing an alliance	Forming the strategic	<ul style="list-style-type: none"> <li>- volume of production;</li> </ul>	<ul style="list-style-type: none"> <li>- technological innovations;</li> </ul>

development strategy.	guidelines for the activities of participating companies in accordance with the strategy of ISA development	<ul style="list-style-type: none"> <li>- R&amp;D expenses;</li> <li>- investments in the development of sales markets;</li> <li>- synergistic effect;</li> </ul>	<ul style="list-style-type: none"> <li>- expansion of interaction platforms;</li> <li>- environmental efficiency.</li> </ul>
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Source: Formed by the author according to Wallace (2005), Butler (2012), Kasych and Vochozka (2019).

The first stage includes the study on the preconditions and possible benefits of the ISA creation. In order to compete effectively in the global market, the company must intensify technological development and ensure the high level of competitiveness of the products it produces and markets. That is why, the situation in the markets regarding the main parameters of competitive struggle is an important object of analysis, and that is, it is necessary to conduct both internal analysis and the external one.

At the second stage, the options for the ISA creation are summarized, their estimation is done in a cut. This stage should be based on the analysis of the internal capacity of participating companies in terms of compatibility and complementarity. The experience of international alliances confirms that the alliance has a better chance of success if its participants have mutually complementary experience and resources.

At the third stage, harmonization of the terms of cooperation is carried out, and therefore, for each functional area of activity of the participating enterprises, forms and methods of interaction, as well as the resources necessary for ensuring cooperation are determined.

The fourth stage defines the results of the interaction of participating enterprises in terms of functional areas of activity and in general. Using common sales channels, harmonizing the directions of scientific and technical development, combining innovation potential, expanding the potential for the scale effect and other results of the ISA creation form the basis for obtaining a synergistic effect.

The fifth stage involves using the results obtained at the previous stage as the basis for improving the organization and management of ISA, developing a long-term strategy, etc. After a strategic alliance has been formed, it is necessary to continuously monitor the effectiveness of the cooperation and the positive consequences for its companies. In other words, it is necessary to evaluate its efficiency. This is required, on the one hand, to determine the strategic guidelines for the further development of alliances.

The proposed algorithm will enable:

- **first**, to determine the preconditions, course and results of the processes crating and functioning of international strategic alliances;
- **second**, to form the necessary amount of information for making management decisions on the development of alliances at any stage of their functioning;

- **third**, to determine the directions of improving the business model both for participants and for the alliance as a whole.

Most of the overlapping stages of analysis have a sufficiently high level of methodological support. Therefore, it is necessary to further focus on those issues that do not have established methodological approaches, which include, firstly, the study of the interaction scale between participating companies within the ISA framework and the analysis of synergistic effects.

The first important moment that forms the basis for the functioning and development of ISA is the mutual penetration of assets. One company member, while retaining control over their assets, sells some part them to other partners. Since integration into full M&A is not foreseen, it is important to analyse the level of mutual integration. To do this, it is proposed to calculate the integration coefficient of the ISA. Let us take for example the ISA, which consists of three participants: Enterprise A, Enterprise B and Enterprise C. The integration rate of the ISA will be calculated as:

$$K_{I(MSA)} = (K_{I(A)} + K_{I(B)} + K_{I(C)}) / 3, \quad (1)$$

The deeper is the level of integration, that is, the interaction is closer, the greater synergy effect is expected.

Partial coefficients that reflect the level of integration of individual participating enterprises of ISA:

$$K_{I(A)} = R_{A(B)} + R_{A(C)} \quad (2)$$

$K_{I(A)}$  – coefficient of integration of enterprise A;

$R_{A(B)}, R_{A(C)}$  – share of assets of enterprise A belonging to enterprises B and C.

In our opinion, an expanded integration model allows tracking the economic basis of interaction and can be represented as follows:

$$As_A + As_B + As_C = R_A * As_A + R_B * As_B + R_C * As_C + (R_{A(B)} + R_{A(C)}) * As_A + (R_{B(A)} + R_{B(C)}) * As_B + (R_{C(A)} + R_{C(B)}) * As_C \quad (3)$$

where  $As$  – the value of assets of enterprises;

A, B, C – the indices of the ISA participating companies;

$R_A, R_B, R_C$  – share of assets of enterprises A, B, C, which they own;

$R_{A(B)}, R_{A(C)}$  – share of assets of enterprise A belonging to enterprises B and C.

As the integration processes evolve between the participating companies, the importance of the analysis of effectiveness and synergy effects is increasing.

Direct synergistic effects that arise in the process of merger and absorption are investigated in the works (The 2018 M&A Report, 2019, Perspectives on merger integration, 2010). Synergistic effects are complex and cannot always be measured by quantitative indicators. Nevertheless, their assessment should be carried out, both at the stage of ISA creation, and in the process of functioning, in order to understand the correctness of the decision on the ISA creation and determine the directions for further development. The general rule of synergy is as follows:  $2+2=5$  and more. However, in the process of ISA creation, there is no complete merger of assets, and therefore the definition of synergistic effects is a more complex and multifaceted process, since the combination of participants is partial and combinatorial. The list of potential synergistic effects in the context of the functional areas of activity, which may not have quantitative expression, is presented in the table 3.

Tab. 3. Sources for obtaining synergistic effects of ISA

<b>Functional spheres</b>	<b>Synergistic effects</b>
Marketing and sales markets	- expansion of channels of sales (reduction of expenses for realization); - information on the situation on certain markets (reducing the cost of marketing research).
Production sphere	- growth of production volumes; - use of new production sites.
Technologies	- acceleration of technological development in separate directions (reduction of the cost of individual developments and access to their greater quantity); - reduction of the time for organizing new production and reduction of the cost of developing new technologies
Financial sector	- ability to concentrate significantly more investments to implement strategically significant projects for all participants in the ISA (expansion of investment opportunities); - optimization of taxes and the usage of transfer prices.
Management	- dissemination of best practices in decision-making (reducing administrative costs).
Corporate culture	- focus on meeting the integrated goals of sustainable development.
Image	- a combination of image characteristics of companies and the establishment of brands in all markets.

Source: Formed by the author.

Receiving synergistic effects is possible in different functional areas, for example, marketing, investment and innovation activity of the enterprise, etc. Synergistic effect is expedient to determine by using the effective indicators, in particular, the volume of production, the level of profit. That is why the synergistic effect of creating the ISA should be considered as an integral result, which is based on the increase in the indicators characterizing different functional zones of the enterprise and its individual results.

One can talk about the synergy effect on the indicators of income or sales volumes if, at a particular time, each of the participants of the ISA receive not only an increase in the indicator, but an increase that will exceed the average increment of the given indicators for a certain period (offered for the last 5 years), or an increase that will exceed the growth of major competitor companies.

That is, the synergistic effect of ISA is the ability of MSA participating companies to have a better dynamic of key performance indicators compared to the period before the ISA creation or in comparison with industry trends.

To calculate the synergistic effect for the total results (revenue), the following formula is proposed:

$$SYN_R = \Delta R_t - \int_{t-5}^{t-1} f(R)dt / Q[t-5; t-1] \quad (4)$$

$SYN_R$  – synergistic effect received by the enterprise on the indicator of sales revenue;

$\Delta R_t$  – growth of revenues from the sale of the enterprise in the year t;

$f(R)dt$  – function of the enterprise revenue in the interval t;

$Q[t-5; t-1]$  – number of years taken for the analysis of the indicator on the interval from t-5 to t-1, that is, the period of 5 years preceding the research year t is taken.

Since in modern conditions, the competitive advantages of enterprises, especially in high-tech industries, are formed due to, primarily, the innovation and investment component of an increase in these costs under a similar scheme will enable the determination of partial synergistic effects, the receiving of which will ensure the development of the potential for obtaining an effective synergistic effect.

Another important aspect of manifesting the synergistic effect in the external environment is the growth of market capitalization of the enterprise and the value of shares. Certainly, the ISA creation and the participation of individual enterprises herein is accompanied by strengthening the image of the company not only among consumers, but also in the stock market. A larger increase in the value of shares that the participating companies will receive compared to the previous period or in comparison with the value of shares of competitor companies can also be attributed to a synergistic effect.

To understand the complexity of using existing and proposed methodological approaches to analysing the performance of the ISA, we will focus on researching such an alliance as Renault-Nissan-Mitsubishi Alliance.

Strategic alliances involving Western European TNCs and US play an important role in international economic relations. According to the OECD and UNCTAD, the transnational corporations of the EU states, on average, make up 35–40% of all strategic alliances in the world. Strategic alliances of TNCs have a significant impact on the development of

the world automotive, pharmaceutical and biotechnology industries, as well as play a significant role in the global ICT sector.

The study of the ISA functioning should be conducted in the context of the historical aspects of the creation, analysis of common indicators to identify development trends; analysis of the effectiveness of the functioning of the participants and their associations, including in the context of assessing the probable synergy effect. Such a study will give an opportunity to generalize foreign experience, to identify the advantages and disadvantages of the functioning of such structures of the international economy.

Renault-Nissan-Mitsubishi Alliance is a Franco-Japanese strategic partnership between the Renault automakers, based in Boulogne-Billancourt, France; Nissan, based in Yokohama, Japan, and Mitsubishi Motors, located in Tokyo, Japan, which together sell more than 1 out of 10 cars around the world.

At the beginning of 2019, Renault owns 43% of Nissan shares; Nissan owns 15% of Renault's shares and 34% of Mitsubishi shares. In this case, the review of Nissan's cooperation with Fiat Chrysler is underway, despite the fact that Renault and Nissan can merge into one company.

The main competitors of Renault-Nissan-Mitsubishi Alliance are Volkswagen, Toyota, and General Motors, the main indicators of which are shown in Table 4.

Tab. 4. Key performance indicators for leading automotive manufacturers in the world, 2017

Enterprises	Place in Global 500	Sales volume, units	Net Sales, € million	Net income, € million	Number of employees	Capital expenditure, € million	R&D costs, € million
Toyota	5	8,971	231,908	15,387	364,445	10,200	8,700
Volkswagen	6	10,741	230,682	4,353	626,715	13,200	13,600
General Motors	18	9,600	132,355	(3,512)	225,000	8,5	7,4
<i>Nissan</i>	44	5,770	93,369	6,123	137,250	3,792	3,873
<i>Mitsubishi Motors</i>	145	1,001	17,125	4,063	77,164	0.780	0.801
<i>Renault</i>	157	3,761	58,770	3,780	124,849	3,362	2,958
<b>Alliance</b>	–	<b>10,532</b>	<b>169,264</b>	<b>13,966</b>	<b>339,263</b>	<b>7,934</b>	<b>7,632</b>

Source: Formed by the author according to Official sites of Toyota, Volkswagen, General Motors, Nissan, Mitsubishi Motors, Renault, Alliance.

As the figures show, none of the alliance members can independently ensure the achievement of the level of development of global leaders by key indicators of production volumes, investment and innovation costs. They rise to a high level of competition and become a key player in the world market only in the alliance. So, in 2018, the Alliance Renault-Nissan in terms of sales (10.76) exceeded Volkswagen (10.62) and became the largest automaker in the world. It should not be forgotten that there are other powerful players in the global automotive market, including Volkswagen and General Motors, as the participants of the ISA and even the integrated structures.

Tab. 5. The performance indicators of Renault-Nissan-Mitsubishi Alliance

<b>Indicators</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Nissan, € Million</b>						
<i>Sales volume</i>	4,914	5,188	5,318	5,423	5,626	5,770
<i>Net Sales</i>	90,845	78,228	82,429	92,345	93,760	93,369
Operating income	4,939	3,719	4,272	6,010	5,938	4,491
Net income	3,230	2,903	3,316	3,968	5,308	5,835
Capital expenditure	4,948	4,002	3,356	3,629	3,754	3,792
% of Revenues	5.45	5.12	4.07	3.93	4.00	4.06
R&D costs	4,433	3,736	3,667	4,030	3,923	3,873
% of Revenues	4.88	4.78	4.45	4.36	4.18	4.15
Number of employees	143,455	142,925	149,388	152,421	137,250	138,910
<b>Mitsubishi-motors, € Million</b>						
<i>Sales volume</i>	987	1,047	1,090	1,050	926	1,101
<i>Net Sales</i>	17,123	15,619	15,797	17,174	15,248	17,125
Net income	0.358	0.781	0.857	0.550	-1.588	0.841
Capital expenditure	0.485	0.539	0.493	0.523	0.465	0.780
% of Revenues	2.83	3.45	3.12	3.05	3.05	4.55
R&D costs	0.565	0.504	0.541	0.596	0.712	0.801
% of Revenues	3.30	3.23	3.42	3.47	4.67	4.68
Number of employees	30,330	30,200	29,800	29,555	29,604	30,507

<b>Renault, € Million</b>						
Sales volume	2,548	2,628	2,712	2,801	3,468	3,761
Net Sales	41,270	40,932	41,055	45,327	51,243	58,770
Net income	1,735	695	1890	2.823	3,543	5,210
Capital expenditure	2,665	2,551	2,416	2,729	3,047	3,362
% of Revenues	6.46	6.23	5.88	6.02	5.95	5.72
R&D costs	1,863	1,793	1,890	2,243	2,530	2,958
% of Revenues	4.51	4.38	4.60	4.95	4.94	5.03
Number of employees	127,086	121,807	117,395	120,136	124,849	181,344

Source: Formed by the author according to Official sites of Nissan, Mitsubishi Motors, Renault, Alliance.

The alliance creation for participating enterprises, as evidenced by the figures presented, in fact means:

**First**, the possibility of reaching all continents and ensuring the presence in an increasing number of countries, which is important both for market research and for the promotion of its products.

**Second**, the change in the competitive position in the market, since the participating companies try to be active competitors on the scale of the global economy, but the existing potential does not allow them to achieve their goals. In the Alliance, they provide production of more than 10 million cars. At the expense of joint efforts, the Alliance actively develops a production site for electric cars and has already joined the world leaders;

**Third**, the combination of efforts in the field of innovation and investment activity by increasing the volume of financing of scientific and technical projects and the delineation of scientific research. Even taking into account the aggregate effort, the Alliance is lagging behind the world leaders in terms of Capital expenditure and R&D costs. Hence, this is the direction by which only in the conditions of the alliance it is possible to provide the dynamics of innovation development of participating companies.

The basis of the synergistic effect of ISA is the ability of participants to achieve leadership positions in selected technology areas.

Mitsubishi Motors will benefit from synergies in the areas of joint purchasing and plant utilization, deeper localization, sharing of common platforms and automotive technologies, and expansion into new markets. In turn, Alliance partners Nissan and

Renault will benefit from Mitsubishi expertise and leadership in areas such as kei cars, plug-in hybrid technology, SUVs and four-wheel drive vehicles, as well as its strengths in the ASEAN region. We will continue to identify new synergies as the Alliance evolves.

Despite the fact that this kind of Alliance has existed for several years, as well as the unstable dynamics of key indicators of Alliance member companies, they state the Alliance generated €4.3 billion in synergies in 2015, one year earlier than anticipated, and 5 billion in 2016. In 2017, Renault-Nissan-Mitsubishi reported a 14% increase in annualized synergies to €5.7 billion.

## Discussion

In general, participation in international strategic alliances should be considered as an important mechanism for solving many problems of the development of enterprises that do not have sufficient capacity for their own development. Moreover, despite the fact that in the overwhelming majority, the process of consolidating the enterprises is logical and objective, it has its advantages and disadvantages, the identification of which is debatable.

The goals, forms of cooperation, the timing of the interaction and the effectiveness of the functioning of alliances depends on whether participants can enjoy the benefits that characterize the competition in the market of certain types of products. The main advantages that companies are trying to achieve through participation in strategic alliances (Table 6).

Tab. 6. Advantages and disadvantages of functioning of strategic alliances

<i>Advantages</i>	<i>Disadvantages (problem zones)</i>
the confrontation of competition, which moves to a higher level precisely at the expense of more dynamic development	problems in defining goals, i.e. the inability to agree specific targets, in particular, return on investment, market share, etc.
the establishment of new global standards, for example, in the field of technology	difficulties of effective organization of project management
overcoming protectionist barriers	blocking the implementation of the strategic goals of the Alliance development
distribution of risks	transfer of strategically significant information
economies of scale by distributing constant costs of production	impossibility of ensuring the implementation of the agreement due to the dynamic changes in the conditions
access to the market segment, which access is difficult	degree of cultural compatibility of the participants
access to technology, i.e. convergence among technologies is the origin of many alliances	mistakes in selecting partners

pooling forces in the process of financing individual projects that have high costs for managing by one company	loss of partner trust throughout the cooperation time
breaking the gap if the company does not have the resources or capabilities needed to develop a specific strategy	loss of control over the basic strategies of the Alliance development in connection with changes in the strategic objectives of the participants
“game prediction”, i.e. the company, which is the first on the curve of experience to gain market benefits.	unexpected high costs associated with transition and coordination

Source: Formed by the author.

The list of benefits expected by alliance members is a very powerful tool for finding partners for engagement. However, alliances always have problem areas that need to be addressed in the management process. Some of the drawbacks may become an insurmountable problem, which will put an end to the alliance. That is why the process of forming and functioning of international strategic alliances requires introduction of modern methods of management and their continuous improvement based on a powerful analytical process.

The proposed methodological approaches to the analysis of the effectiveness of the ISA operation should be the basis for integrated and comprehensive monitoring. The isolation and calculation of synergistic effects from the ISA creation is the most complex. Synergy, as a complex manifestation of the multifaceted performance of the MCA, can and should be evaluated, but not only in the cost measure. To understand of the nature of the synergistic results of the MCA more clearly, it is advisable to take into account the sectorial features: development trends, technical standards and key vectors of innovation perspectives, which may not be fully technically counted. These directions presented in the article are debatable and require further research.

## **Conclusion**

The joint coordination of strategic planning and management of the participants of activity is carried out within the framework of international strategic alliances, which allows them to agree on long-term partnership relations with the benefit to each participant. Strategic alliances are mobile, free for partners, more focused on the future, reduce ambiguity and uncertainty in partner relationships, increase stability in resource provision and distribution of products and services.

In general, it should be noted:

- participation in strategic alliances becomes a necessity of functioning of enterprises in many markets of industrial products, as there has been a significant increase in their number in order to ensure technological leadership in these industries;

- global leaders have several alliances and try to penetrate into industries that have not been previously characteristic of them;
- strategic alliances become the basis for more dynamic creation of new types of products, introduction of new technologies.

All of the above changes the competition conditions and the composition of the competitiveness actors turning strategic alliances into a real mechanism of developing competitive advantages of an individual enterprise.

The researches of the features of functioning of Renault-Nissan-Mitsubishi Alliance allow formulating the following principles of management of strategic alliances in the modern economy, observance of which allows to achieve a positive result when creating associations of this type:

- focus on solving long-term perspective problems and tasks;
- equality of the alliance parties based on the fair assessment of their available resources, opportunities, organizational competences, other important assets for joint activity and registration by providing this equal relationship with a clear legal status;
- formation of a clear and effective management system that allows to carry out both high-level tasks (strategic planning), as well as the tasks of the lower operating levels (staging tactical goals, allocating resources) quickly and efficiently;
- constant search for new ways of interaction and increasing the effectiveness of cooperation in order to maximize the synergistic effect by combining the strengths of all participating companies;
- autonomy of the partners entering the alliance;
- deep respect for the corporate values and individuality of the brand of each of the partners while maintaining their independence;
- mutual exchange of accumulated experience and developments.

Such basic principles should be guided by the conclusion of agreements on the establishment of a strategic alliance in the modern world economy. These principles, as well as the experience of Renault-Nissan-Mitsubishi Motors and other strategic alliances created by automakers will be used in the future to develop the effective model of the strategic alliance management.

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