Introduction to Management

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Internationalization strategies

Expansion through Internationalization

The Expansion through Internationalization is the strategy followed by a company that aims to expand beyond the national market.

The need for the Expansion through Internationalization arises when an organization has explored all the potential to expand domestically and looks for the expansion opportunities beyond the national boundaries.

Globalization

Globalization has made internationalization a mandatory strategy for companies, regardless of their resources and capabilities.

Globalization is the process by which economies, societies and cultures have become integrated through a global network of communication, transportation and trade.

Advancements in technology like the Internet, television and other communication tools have driven markets to be more integrated. Customers demands are becoming more similar in all the world.

Globalization

Unlike in the past, people can buy a product from any part of the world, even if it was not produced in the own home country. This led competition to a global scale and firms cannot afford to just serve one market. They have to offer its current or new products to new markets in order to mitigate the risk of loss if conditions become adverse in one market.

The international expansion strategy

The international expansion strategy can simply consist in selling the products in foreign countries or in delocalizing some phases of production abroad to take advantage of lower labor costs or to exploit superior technologies.

This strategy can be aimed at expanding sales volume and / or reducing production costs.

Phases

Before a company internationalizes, it must assess if it is ready, and which countries have attractive markets. It must follow the order of:

1. Analyzing its readiness to internationalize,
2. Assessing the suitability of its products and services for foreign markets,
3. Screening countries to identify attractive target markets,
4. Assessing the market demand for its products or services in the selected target market
5. Selecting qualified business partners, like distributors and suppliers,
6. Estimating the company's sales potential in the target market.

Stages

The firm should first assess the international environment, and then evaluate its own capabilities and plan the strategies to enter the foreign markets.

International expansion generally follows several stages that present increasing levels of commitment and risk. Companies start with the export activity and then move on more stable forms of presence abroad:

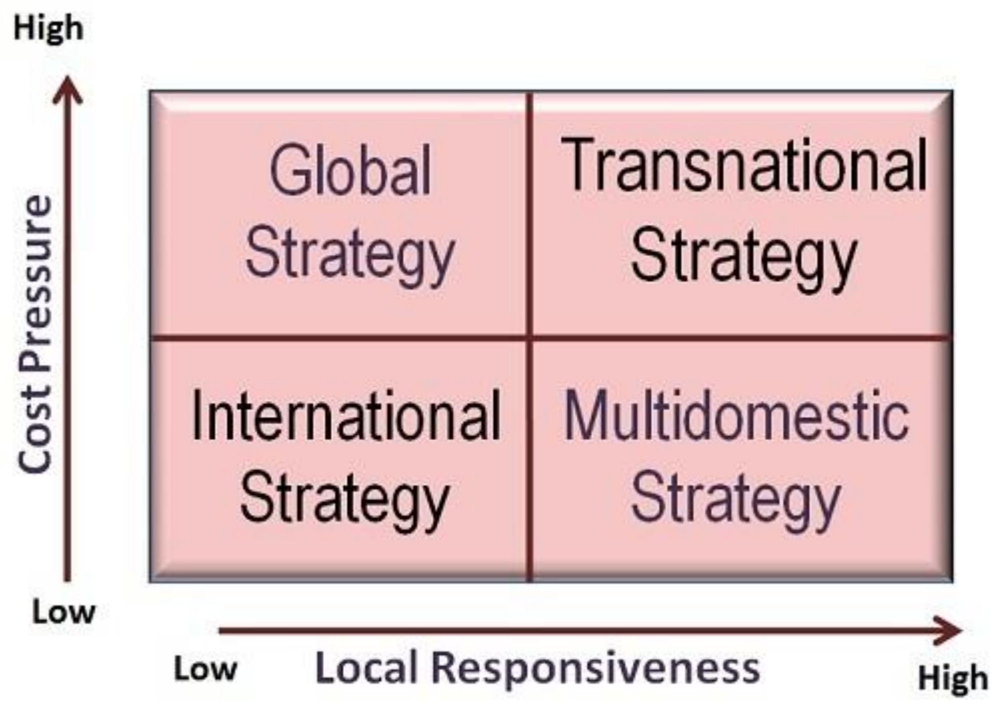
- export of products manufactured exclusively in the domestic country;
- Indirect production: granting manufacturing licenses for the own products to foreign producers;

Stages

- Direct sales: the implementation of direct investments for the creation abroad of the own distribution structures;
- Direct production: the creation in other countries of complete assembly plants and production facilities;
- Establishment of a company abroad: the organization of self-sufficient corporate structures (subsidiaries or affiliates) with management and research centers;
- Multinational organization: management coordination on a multinational level. The multinational company is, in fact, not only an organization that has production plants and distribution networks in several countries of the world, but also and above all a company that pursues an integrated management of domestic and foreign activities. A process of multinational expansion therefore requires a management with very high skills and financial capital to invest and to cover risks.

Strategies

The expansion through internationalization could be realized with the following strategies:



International Strategy

1. International Strategy: The firms adopt an international strategy to create value by offering those products and services to the foreign markets where these are not available. This can be done by practicing a tight control over the operations in the overseas and providing the standardized products with little or no differentiation.

Multidomestic Strategy

2. Multidomestic Strategy: Under this strategy, the multi-domestic firms offer the customized products and services that match the local conditions operating in the foreign markets. Obviously, this could be a costly affair because the research and development, production and marketing are to be done keeping in mind the local conditions prevailing in different countries.

Global Strategy

3. Global Strategy: The global firms rely on low-cost structure and offer those products and services to the selected foreign markets in which they have the expertise. Thus, a standardized product or service is offered to the selected countries around the world.

Transnational Strategy

4. Transnational Strategy: Under this strategy, the firms adopt the combined approach of multi-domestic and global strategy. The firms rely on both the low-cost structure and the local responsiveness, i.e. according to the local conditions. Thus, a firm offers its standardized products and services and at the same time makes sure that it is in line with the local conditions prevailing in the country, where it is operating.

Motivations

The following reasons for internationalization can be distinguished:

- Efficiency seeking: it is aimed at rationalizing production and exploiting economies of specialization and scope (joint production of different products or with the pursuit of different objectives with the same productive factors, such as the same resources, plants, and know-how).
- Market seeking: increasing the volume of sales in the foreign market.
- Resources seeking: Look for more favorable supply conditions (in particular material resources and human resources).
- Strategic asset seeking: access to local knowledge, capabilities, technological resources and innovations (for example, exploiting the knowledge developed in particular production contexts, such as the Silicon Valley).

Motivations

Two other types of motivations can be added to these four macro-categories:

- escaping investment, created to escape restrictive policies in the country of origin;
- support investment, if the main motivation of the investment consists in supporting the activity of the company.

Choice of foreign markets

Possible errors:
- ignoring the countries that offer good opportunities for the product and / or service offered by the company
- spend too much time analyzing countries with scarce perspectives.

Costs for the company:
- economic costs, such as attempts to penetrate markets that subsequently result difficult to manage or with reduced potential
- opportunity costs, that is focusing on countries that then result to be unfavorable, thus neglecting more profitable markets with more potential.

Choice of foreign markets

The psychic distance can hold companies discarding a priori countries with high potential.

There are countries that, despite being far away geographically, have strong cultural affinities with the country of origin, defined as Good Friends

Choice of foreign markets

The cultural element is a very important factor to fully understand the tastes, needs, uses and traditions of consumers and to identify their most significant behaviors.

The condition for implementing an adequate selection process for foreign markets is the development of an adequate international marketing information system.

Choice of foreign markets

The country selection process should be based on two fundamental aspects:

1. the attractiveness of the country (the size and characteristics of the market, potential, opportunities / threats);

2. accessibility of the market (a factor conditioned by the presence and size of barriers to entry).

Choice of foreign markets

Three types of markets can be distinguished:

(1) high priority markets - high accessibility and medium-high attractiveness;
(2) strategic markets – medium accessibility and high attractiveness;
(3) marginal markets - low accessibility and low attractiveness.

Choice of foreign markets

A. Identifying the most attractive countries - estimating the existing potential market.

B. Evaluating the accessibility of the selected countries by identifying the natural and artificial barriers

C. Assessing accessibility by analyzing the competitive environment.

The choice of the entry mode

There are two major types of market entry modes:

1. The non-equity modes category includes export and contractual agreements.

1. The equity modes category includes joint venture and wholly owned subsidiaries.

Exporting

Exporting is the process of selling of goods and services produced in the domestic country to other countries.

Advantages:
Low commitment and investments

Disadvantages:
Low control on the international market

There are two types of exporting: direct and indirect.

Direct exports

Direct exports represent the most basic mode of exporting made by a company, capitalizing on economies of scale in production concentrated in the home country and affording better control over distribution.

Direct export works the best if the volumes are small. Large volumes of export may trigger protectionism.

The main characteristic of direct exports entry mode is that there are no intermediaries.

Direct exports

Sales representatives

Sales representatives represent foreign suppliers/manufacturers in their local markets for an established commission on sales. They provide support services to a manufacturer regarding local advertising, local sales presentations, customs clearance formalities, legal requirements. Manufacturers of highly technical services or products such as production machinery, benefit the most from sales representation.

Direct exports

Importing distributors

Importing distributors purchase the product in their own right and resell it in their local markets to wholesalers, retailers, or both. Importing distributors are a good market entry strategy for products that are carried in inventory, such as toys, appliances, prepared food.

Direct exports

Advantages

- ✓ Control over a selection of foreign markets and possibility to choose a foreign representative company
- ✓ Good information feedback from target market and possibility to develop better relationships with the buyers
- ✓ Better protection of trademarks, patents, goodwill, and other intangible property
- ✓ Potentially greater sales, and therefore greater profit, than with indirect exporting.

Direct exports

Disadvantages

- ✓ Higher start-up costs and higher risks compared to indirect exporting
- ✓ Higher investments of time, resources and personnel and organizational adaptation
- ✓ Greater information requirements
- ✓ Longer time-to-market compared to indirect exporting.

Indirect exports

Indirect export is the process of exporting through domestically based export intermediaries. The exporter has no control over its products in the foreign market.

Indirect exports

Export trading companies (ETCs)

These provide support services of the entire export process for one or more suppliers. Attractive to suppliers that are not familiar with exporting as ETCs usually perform all the necessary work: locate overseas trading partners, present the product, quote on specific enquiries, etc.

Indirect exports

Export management companies (EMCs)

These are similar to ETCs as they usually export for producers. Unlike ETCs, they rarely take on export credit risks and carry one type of product, not representing competing ones. Usually, EMCs trade on behalf of their suppliers as their export departments.

Indirect exports

Export merchants

Export merchants are wholesale companies that buy unpackaged products from suppliers/manufacturers for resale overseas under their own brand names. The advantage of export merchants is promotion. One of the disadvantages for using export merchants result in presence of identical products under different brand names and pricing on the market, meaning that export merchant's activities may hinder manufacturer's exporting efforts.

Indirect exports

Confirming houses

These are intermediate sellers that work for foreign buyers. They receive the product requirements from their clients, negotiate purchases, make delivery, and pay the suppliers/manufacturers. An opportunity is that if the clients like the product they may become trade representatives. A potential disadvantage includes supplier's unawareness and lack of control over what a confirming house does with its product.

Nonconforming purchasing agents

These are similar to confirming houses with the exception that they do not pay the suppliers directly – payments take place between a supplier/manufacturer and a foreign buyer.

Indirect exports

Advantages

- ✓ Fast market access
- ✓ Concentration of resources towards production
- ✓ Little or no financial commitment as the clients' exports usually covers most expenses associated with international sales.
- ✓ Lower risk for companies that consider their domestic market to be more important and for companies that are still developing their R&D, marketing, and sales strategies.
- ✓ Export management is outsourced, alleviating pressure from management team
- ✓ No direct handle of export processes.

Indirect exports

Disadvantages

- ✓ Little or no control over distribution, sales, marketing, etc.
- ✓ The incorrect choice of the distributor, and by effect, of the market, may lead to inadequate market feedback affecting the international success of the company
- ✓ Potentially lower sales compared to direct exporting.
- ✓ Export partners that incorrectly select a specific distributor/market may hinder a firm's functional ability.

Exports

Companies that seriously consider international markets as a crucial part of their success consider direct exporting as the market entry mode. Indirect exporting is preferred by companies that want to avoid financial risk.

Firms that are considering setting up a physical presence in an international market can use exporting as a way of testing the market. If the products sell well in the international market, they can set up its infrastructure.

Licensing

Licensing is an agreement in which the owner of intellectual property grants another firm the right to use that property for a specified period of time in exchange for royalties or other compensation.

An international licensing agreement allows foreign firms, either exclusively or non-exclusively to manufacture a proprietor's product for a fixed term in a specific market.

Licensing

The firm becomes the licensor and the foreign firm that uses its intellectual property the licensee.
The licensee pays a fee called royalties to the licensor for using the intellectual property. The licensor from time to time, chips in to advise the licensee and provide support.
The licensor has a bit more control over its products in the international market using this method.
The risks are higher using licensing compared to exporting.

An example of a license agreement is that of the company Coca-Cola. It is present in almost all the countries of the world, but in most of them it operates under license. A local bottling company can produce and distribute Coca-Cola products on the licensor's behalf.

Licensing

The advantage of this strategy is that it does not require investments in the international market, but it is a source of cash through royalties paid in.

In this foreign market entry mode, a licensor in the home country makes limited rights or resources available to the licensee in the host country. The rights or resources may include patents, trademarks, managerial skills, technology, and other factors that can make it possible for the licensee to manufacture and sell in the host country a similar product to that of the licensor. The licensor earnings usually take forms of one-time payments, technical fees and royalty payments usually calculated as a percentage of sales.

Licensing

As in this mode of entry the transference of knowledge between the parental company and the licensee is strong, the decision of making an international license agreement depend on the respect the host government show for intellectual property and on the ability of the licensor to choose the right partners ensuring that they cannot became potential competitors in other market.

Licensing is a flexible agreement that can be customized to fit the needs and interests of both licensor and licensee.

Licensing

The main advantages and reasons to use licensing for expanding internationally are:

- ✓ Obtaining extra income for technical know-how and services
- ✓ Reaching new markets not accessible by simply exporting the existing facilities
- ✓ Quickly expanding reducing risk and capital investment
- ✓ Paving the way for future investments in the market
- ✓ Minimizing political risks as the licensee is usually 100% locally owned
- ✓ It is highly attractive for companies that are new in international business.

Licensing

The disadvantages of licensing are:

- ✓ Lower income compared to other entry modes
- ✓ Loss of control on the licensee's manufacturing and marketing operations and on the production quality
- ✓ Risk of having the trademark and reputation ruined by an incompetent partner
- ✓ The foreign partner can become a competitor in other markets.

Franchising

The franchising can be defined as: "A system in which semi-independent business owners (franchisees) pay fees and royalties to a parent company (franchisor) in return for the right to be identified with its trademark, to sell its products or services, and often to use its business format."

Franchising

Compared to licensing, franchising agreements tends to be longer and the franchisor offers a broader package of rights and resources which usually includes: equipment, managerial systems, operation manual, initial trainings, site approval and all the support necessary for the franchisee to run its business in the same way of the franchisor.

In addition, while a licensing agreement involves elements such as intellectual property and trade secrets, franchising is limited to trademarks and operating know-how of the business.

Franchising

The franchisor is more committed of the licensor in supporting the franchisee, because the entire business system (production, marketing, brand, patents and trademarks) is transferred.

The franchisor must fully monitor the operations of the franchisee and make sure they are in line with the agreed procedures of operating.

Examples of firms that have franchising agreements are McDonald's, Subway, Benetton.

Franchising

Advantages of the franchising mode:

- ✓ Low political risk
- ✓ Low cost
- ✓ The possibility of a simultaneous expansion into different regions of the world
- ✓ Well selected partners bring financial investment as well as managerial capabilities to the operation.

Franchising

Disadvantages of franchising :

- ✓ Maintaining control over franchisee may be difficult
- ✓ Conflicts with franchisee including legal disputes
- ✓ Preserving franchisor's image in the foreign market may be challenging
- ✓ The necessity of monitoring and evaluating the performance of the franchisees, and providing ongoing assistance
- ✓ Franchisees may take advantage of acquired knowledge and become competitors in the future

Turnkey projects

A turnkey project refers to a project in which a company pays contractors to design and construct new facilities and train personnel abroad.

A turnkey project is a way for a foreign company to export its process and technology by building a plant in a foreign country. Industrial companies specialized in complex production technologies normally use turnkey projects as entry strategy.
In this arrangement the focal firm plans, finances, organizes, manages and implements all the phases of a project abroad and then hands it over to a foreign customer after training local personnel.

Turnkey projects

One of the major advantages of turnkey projects is the possibility for a company to establish a plant and earn profits in a foreign country in which foreign direct investment opportunities are limited and the company has a lack of expertise in that area.

A potential disadvantage of a turnkey project is the risk of revealing companies' secrets to rivals.

Entering a market with a turnkey project can prove that a company has no long-term interest in the country. This could become a disadvantage if the country proves to be a profitable market for the company.

Foreign Direct Investment (FDI)

The most involving mode of entering an international market is the foreign direct investment.

With this method the company creates a wholly owned subsidiary in the foreign country.
With FDI, the firm commits its time and resources fully in the international market. It has a physical presence and has direct access to the foreign market.
A wholly owned subsidiary includes two types of strategies: Greenfield investment and Acquisitions. Greenfield investment and acquisition include both advantages and disadvantages. The choice between the two entry modes depends on situations.

Foreign Direct Investment (FDI)

Greenfield investment is the establishment of a new wholly owned subsidiary abroad.

The subsidiary is created directly by the company, often expatriating also the staff.

This entry mode is preferred in service industries where close contact with end customers and high levels of professional skills, specialized know how, and customization are required.

This strategy is attractive if there are no competitors to buy in the foreign country or the competitive advantage of the company is based on its embedded competencies, skills, routines, and culture, forcing it to transfer all these elements abroad to maintain the competitive advantage.

Foreign Direct Investment (FDI)

Greenfield investment is a complex strategy with high costs and risks but it is able to provide full control of the foreign activities and promises higher returns on the investment.

Although the company is independent in creating its wholly owned subsidiary abroad, it may need to acquire knowledge and expertise of the foreign market by third parties, such as consultants, competitors, or business partners.

This entry strategy takes much more time due to the need of establishing new operations, distribution networks, and the necessity of learning and implementing appropriate marketing strategies to compete with rivals in a new market.

Foreign Direct Investment (FDI)

Acquisition is when the company creates its wholly owned subsidiary by acquiring a foreign company that should be a competitor, a distributor, a supplier or a company that operates in a sector related to that of the firm.

Acquisition is a popular mode of entering foreign markets mainly due to its quick access.

Acquisition strategy offers the fastest, and the largest international expansion compared to any of the alternatives.

Acquisition is lower risk than Greenfield investments because the outcomes of an acquisition can be estimated more easily and accurately. The company knows the results achieved by the firm it acquires and gains access to its customers, market share, technologies, facilities, knowledge, etc.

Foreign Direct Investment (FDI)

On the other hand, there are many disadvantages and problems in achieving acquisition success:

- Integrating two organizations can be quite difficult due to different organization cultures, control systems, and relationships. Integration is a complex issue.
- To acquire a new company, some companies significantly increase their levels of debt which may cause bankruptcy.
- Too much diversification may cause problems. A high level of diversification can produce a negative effect on the firm in the long-term performance due to a lack of management of diversification.

Foreign Direct Investment (FDI)

FDI is the riskiest of all the types of internationalization strategies because of the level of resources commitment. The firm faces:

- **Cultural risk.** a cultural miscommunication puts some human values at risk. A firm has to analyze the culture of the country where it chooses to set up operations.
- **Country risk.** Any change in the political, legal, economic or environmental aspects in the foreign country could have adverse effects on the operations and profitability of the company.
- **Commercial risk.** This is a firm's potential loss from poorly developed or executed business strategies, tactics or procedures.
- **Currency risk.** A firm faces the risk of loss of profits due to fluctuating exchange rates. The devaluation of a currency can have a negative impact on a company's profits.

Foreign Direct Investment (FDI)

The main features of foreign direct investment are:

- It requires greater resource commitment
- It implies global presence and operations
- It allows the firm to achieve global scale efficiency
- Firms involved In FDI strive to behave in socially responsible ways.

Foreign Direct Investment (FDI)

When selecting an FDI location, a firm must look at several factors:

- The country should have a market sufficiently large to support its growth and give the right returns on the investment. China, for example, is a large market because of its population and it is an emerging market, so it offers different growth opportunities.
- The country should be close to the firm's targeted customers to reduce on distribution expenses. Proximity to the firm's source of inputs as the raw materials is also important
- The country should have low political, cultural, and currency risks.
- Economic factors such as tax, interest and exchange rates, need to be considered as they'll determine the level of cash available for company's operations.

Joint venture

Another way a firm can internationalize are the international collaborative ventures. A collaborative venture is a partnership between two or more firms and includes equity joint ventures and non-equity ventures.

An equity joint venture is a business entity created by two or more parties, generally characterized by shared ownership, shared returns and risks, and shared governance.

A non-equity or project-based venture is a partnership formed specifically for a project which has a well-defined timetable, without creating a new legal entity.

Joint venture

Companies typically choice joint ventures for the following reasons:

- to access a new market, particularly emerging markets;
- to gain scale efficiencies by combining assets and operations;
- to share risk for major investments or projects;
- to access skills and capabilities.

There are four common objectives in a joint venture: market entry, risk/reward sharing, technology sharing, and joint product development. Other benefits include political connections and distribution channel access.

Joint venture

A JV can be brought about in the following major ways:

- A Foreign investor buys an interest in a local company
- A Local firm acquires an interest in an existing foreign firm
- Both the foreign and local entrepreneurs jointly form a new enterprise

Joint venture

By its creation, the JV becomes a new entity with some implications:

- it is officially separated from its Founders;
- it can contract in its own name, acquire rights (such as the right to buy new companies);
- it has a separate liability from that of its founders, except for invested capital;
- it can sue (and be sued) in courts in defense as independent part.

Joint venture

Joint ventures often are preferred when:

- The partners' strategic goals converge while their competitive goals diverge
- The partners' size, market power, and resources are small compared to those of the leaders of the market
- Partners are able to learn from one another while limiting access to their own proprietary skills

Joint venture

The key issues to consider in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions.

Potential problems include:

- Conflict over asymmetric new investments
- Mistrust over proprietary knowledge
- Performance ambiguity - how to split the pie
- Lack of parent firm support
- Cultural clashes
- If, how, and when to terminate the relationship

Joint venture

Joint ventures have conflicting pressures to cooperate and compete:

- Strategic imperative - the partners want to maximize the advantage gained with the joint venture, but they also want to maximize their own competitive position.
- The joint venture attempts to develop shared resources, but each firm wants to develop and protect its own proprietary resources.
- The joint venture is controlled through negotiations and coordination processes, while each firm would like to have hierarchical control.

Joint venture

An example of joint venture is Sony Ericsson.

The Japanese electronics company Sony Corporation and the Swedish Telecommunications company Ericsson formed a joint venture in 2001 to create a new company called Sony Ericsson. The reason for the venture was to combine expertise to produce superior products. Both companies have stopped making their own mobile phones focusing on the joint venture.

This type of venture is an equity venture.

Strategic alliance

Strategic alliance is a type of cooperative agreement between different firms.

Each firm remains independent and no new entities are created. Companies decide to cooperate in order to achieve common goals by sharing knowledge, research activities, creating networks for distribution, advertising and promotion (co-branding), acquiring a higher negotiating power with suppliers.

Generally, the main goal is creating new products and/or technologies.

They are often created for short terms, non equity-based agreements in which companies are separated and independent.

Strategic alliance

Some advantages of a strategic alliance include:

Technology exchange

This is a major objective for many strategic alliances. The reason is that many technological innovations are based on interdisciplinary and/or inter-industrial advances. Hence, it is increasingly difficult for a single firm to possess the necessary resources or capabilities to conduct an effective R&D. This is also perpetuated by shorter product life cycles and the need for many companies to stay competitive through innovation. Some industries that are centers for extensive cooperative agreements are:

Telecommunications, Electronics, Pharmaceuticals, Information technology

Strategic alliance

Some advantages of a strategic alliance include:

Global competition

There is a growing perception that global battles between corporations be fought between teams of players aligned in strategic partnerships. Strategic alliances will become key tools for companies if they want to remain competitive in this globalized environment, particularly in industries that have dominant leaders, such as smartphone manufactures, where smaller companies need to ally in order to remain competitive.

Strategic alliance

Some advantages of a strategic alliance include:

Industry convergence

As industries converge and the traditional lines between different industrial sectors blur, strategic alliances are sometimes the only way to develop the complex skills necessary. Alliances become a way of shaping competition by decreasing competitive intensity, excluding potential entrants, isolating players, and building complex value chains that can act as barriers.

Strategic alliance

Some advantages of a strategic alliance include:

Economies of scale and reduction of risk

Shared resources can contribute greatly to economies of scale, and smaller companies can benefit from strategic alliances in terms of cost reduction because of increased economies of scale.
In terms on risk reduction, in strategic alliances no one firm bears the full risk and cost of a joint activity. This is extremely advantageous to businesses involved in high risk / cost activities such as R&D. This is also advantageous to smaller organizations which are more affected by risky activities.

Strategic alliance

Some advantages of a strategic alliance include:

Alliance as an alternative to merger

Some industry sectors have constraints to cross-border mergers and acquisitions, strategic alliances prove to be an excellent alternative to bypass these constraints. Alliances often lead to full-scale integration if restrictions are lifted by one or both countries.

Strategic alliance

The main **disadvantages** of a strategic alliance include:

Risks of competitive collaboration

Some strategic alliances involve firms that are in fierce competition outside the specific scope of the alliance. This creates the risk that one or both partners will try to use the alliance to create an advantage over the other. The benefits of this alliance may cause unbalance between the parties, there are several factors that may cause this asymmetry.

Strategic alliance

- The partnership may be created to exchange resources and capabilities such as technology. This may cause one partner to obtain the desired technology and abandon the other partner, effectively appropriating all the benefits of the alliance.
- Using investment initiative to erode the partner's competitive position. This is a situation where one partner makes and keeps control of critical resources. This creates the threat that the stronger partner may strip the other of the necessary infrastructure.
- Strengths gained by learning from one company can be used against the other. As companies learn from each other, usually by sharing tasks, their capabilities become reinforced; sometimes this strength exceeds the scope of the alliance and a company can use it to gain a competitive advantage on the partner.

Strategic alliance

Other **disadvantages** of a strategic alliance include:

- **Difficulty in finding a good partner**
- **Risk of an unequal partnership**
- **Loss of control**
- **Relationship management across borders**

Strategic alliance

Choosing a Partner for International Strategic Alliances

Strategic compatibility

The partners need to have the same general goal. The differences in strategy produces more conflicts of interest.

Complementary skills and resources

Partners need to contribute more than just money to the alliance. Each partner must contribute some skills and resources that complement each another.

Relative company size

Different sizes of the partners may cause domination of one firm or unequal agreement.

Financial capability

The partners must have sufficient financial resources to maintain the alliance's efforts, which is also important for long-term partnership.