knowledge. As will be seen in joint ventures, this pattern is not uncommon in strategic alliances—partner trust is paramount.

Conclusion

Strategic alliances are one of the most hotly debated topics researched in management. It is hard to reach an agreed definition that nonetheless understand viable options for success. This research uses contractual and collaborative strategic alliances as a differentiator and divides collaborative strategic alliances into nonequity and equity endeavors. Some companies enter into alliances simply because they have no choice—they don't have the resources internally to support their expansion plans or are required by law in order to operate in that jurisdiction. Others do so because of wanting to share risk or resources. As in all expansion plans seen throughout this book, the more successful alliances are proactively managed and based on maximum market knowledge. Long-standing relationships built on years of mutual objectives and common ways of working are the most successful—whether or not the alliance is technically collaborative, the partners collaborate to the mutual benefit of all. As will be seen in the next chapter when the stakes get higher, these two elements become even more critical.

Case 5.1 Nike

Nike learned about nonequity mode of investment management and its scrutiny the hard way. In the 1990s, Nike had an extensive series of low-cost manufacturing strategic alliances spread throughout the emerging world, which produced Nike-branded products at highly competitive prices. Allegations of sweatshops, poor working conditions, and low pay for their strategic alliance partners' employees began to dog Nike executives at every turn. By their own admission, Nike executives' initial responses were hands off indicating that these suppliers and their employees were not part of Nike, and therefore not their responsibility (www.Nike.com). A grassroots groundswell targeted Nike and their strategic alliance partners whose identity Nike guarded closely and in the process created a swarm of negative publicity that adversely impacted the organization.

Nike management had a dramatic change of tact–instead of ignoring their supply chain's ethical issues, Nike transformed their weakness into a supply chain competitive advantage by embracing its management and thereby ensuring that all others in the industry would need to adopt their standards (*Businessweek*, 2004). Nike established the Fair Labor Association (FLA) collaborating with several other producers utilizing low-cost manufacturing sites, including Reebok and Liz Claiborne as well as nongovernmental organizations to monitor suppliers. The end result is much greater supply chain transparency, monitoring of behavior, and measuring of results. Nike have removed almost

behavior (www.Nike.com) and they continue to monitor the performance of the remaining 900 or so suppliers and their one million employees. By doing so, they have created an expectation that others in the industry must follow suit or face the same barrage of criticism.

This case demonstrates the dilemma of contractual strategic alliances. While they provide market flexibility and lower-cost manufacturing, ensuring the desired behavior when not in control of an operation is very difficult. When one has the size of Nike, the likelihood of compliance in your alliance partners is much higher but it does come at a high cost and significant risk if not proactively measured and monitored.