Conclusion

No topic covered in the research brought a greater disparity of opinion than strategic alliances. It is easy to see why. There are countless examples of failed joint ventures especially in emerging world economies. One, Danone and Wahaha is highlighted in Chapter 10 of this book. They are difficult and time consuming to manage, and even when managed well they rely on the goodwill and effort of another organization for success. They require a leap of faith in trusting your partner hence partner selection becomes so crucial to the venture's long-term success.

If managed properly, however, they do provide a larger pool of resources from which organizations can draw. For, in this rapidly changing global marketplace, there are few if any organizations that have in-house all the resources they need to successfully tackle every market their strategy dictates.

Case 6.1 Standard Bank and ICBC

When the Industrial and Commercial Bank of China (ICBC) took a 20 percent stake in Africa's leading bank, Standard Bank, in 2007, their $5.5 billion investment made it the largest single investment in African history. The investment brought more than a close relationship between China and Africa; it gave Chinese companies a highly trusted platform for doing business on the continent. China, after all, remains the biggest foreign investor in Africa (UNCTAD, 2010).

Rather than just make the investment a financial one, Standard Bank and ICBC work closely together on several fronts to ensure they are able to maximize the mutual benefits of their relationship, including the flow of funds between Chinese and African corporations. "They [ICBC] use us as their eyes and ears for Africa," said one senior Standard Bank executive. The relationship is built on a cross-fertilization of personnel in both China and Africa. ICBC supply support staff in all the major Standard Bank branches throughout Africa to facilitate African investment by Chinese companies. In return, Standard Bank second some of their most senior executives to China to work at ICBC in Beijing. The executive continued,

> With ICBC, most of the time, we put a Chinese-speaking person into all our entities in the country; we bank [with] our Chinese-speaking clients, and can talk to them. We are the only bank in the world who can give them directly soft local currency and South African currencies and other currencies. We have done some high-profile investment banking deals ... so we are using Chinese capital for Africa. So they didn't just invest in us. It gives me a legitimate card for any meeting. I can go to any meeting; it doesn't matter how big the financing request is, I can go in there knowing that with ICBC behind us, we can fund it. That gives us a world platform. We can fund any project in the world; so up to now it has worked out very well for us.

The banking relationship has proven beneficial in other parts of the world. In 2011 Standard Bank sold an 80 percent stake in their Argentinean bank, Standard Bank Argentina, and their two affiliates for excess of $380 million. This gives ICBC a commanding position in Argentina as the only Chinese bank with a significant presence, and freed Standard Bank to pursue their regionally focused African strategy. The deal was hotly contested with over a dozen interested parties, but the long-standing shareholding and positive working relationships meant that Standard Bank can keep an active minority involvement in the Argentinean operations to facilitate South American and African banking operations while concentrating resources on their pan-African strategy. All in all, the relationship has proven to be greatly beneficial to both parties.

Mutually beneficial banking relationships underpinned by financial minority stakeholdings are not unique to Standard Bank and ICBC. Santander and Royal Bank of Scotland also had a similar relationship with Santander taking a 5 percent minority holding in Royal Bank. This stake ensured a high degree of cooperation as seen in the secondment of staff between banks. For instance, English-speaking Royal Bank of Scotland staff members were stationed in Santander branches on the southern coast of Spain where a large percentage of British holidaymakers had vacation homes and utilized the dual banking relations to mutual benefit.

Case 6.2 BP and TNK-BP

TNK-BP, British Petroleum's 50/50 joint venture with Alfa-Access-Renova (AAR), have never been short of publicity—they resembles a very public celebrity marriage. As one of the most financially successful joint ventures in history, they have attracted their share of media attention. After all, they accounted for 17 percent of BP's operating cashflows in 2011 generating $3.7 billion. But the joint venture is probably unjustifiably more famous for the very public differences of opinion between the two major shareholders, BP and the four Russian oligarchs who own AAR. While they have had subsequent public disagreements, the joint venture's formation in 2003 appeared highly complementary. Dr. Byron Grote, Executive Vice-President of BP, explained,

> We brought to the joint venture our experience in the oil sector, technical understanding of reservoir management, and operational capability. Our partners brought an understanding of operating in Russia. TNK-BP is one of the best-run companies in Russia. We've met all of the promises that we made at the time we formed the venture: to improve oil recovery, to do this in an environmentally responsible way, to be good citizens of the communities in which we operate, and to ensure that TNK-BP's fiscal obligations were fully met. We've brought our way of doing business elsewhere into our operations in Russia. Operationally it has more than met expectations. However, the JV requires a lot of management time and attention and it generates negative publicity because of the periodic disagreements with our partners. Nonetheless, TNK-BP has been a great investment. We have received dividends equal to about twice our original investment and still own 50 percent of one of the largest oil companies in the world.