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International Expansion Strategy Through Cooperation – The Alphabet Case

Internationalization of Small and Medium Businesses

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ABSTRACT

Title: International Expansion Strategy Through Cooperation – The Alphabet Case

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Keywords: *Fleet Management, Mobility Solutions, Lease Company, Automotive Industry, International Strategy, Expansion, Cooperation, New Market*

The case study here presented unfolds the strategy used by Alphabet International GmbH, British leasing and fleet management company, when decided to expand its business in Ireland through a cooperation with the local company Mahony Fleet. Alphabet International was founded in the UK in the late 90's, but it is now fully owned by the BMW Group and has moved its headquarters to Munich, Germany.

The case presents the internationalization process from its first steps of approaching the new market, to the conclusion of the deal and the establishment of an international partnership relationship. Furthermore, the paper analyzes the advantages and disadvantages of such strategy and the financial and reputational risks and benefits it might bring to the company internationalizing. Lastly, based on the data gathered from interviews conducted with the Head of New Market of Alphabet, and other internal resources, the final conclusions were drawn, showing that the partnership established between Alphabet and Mahony Fleet was a success because it allowed Alphabet to increase its global footprint, keep its international customers in its portfolio, and gain new ones over time.

This paper should serve as a teaching tool to future students, as it shows how to apply the theoretical knowledge gained in the classroom to a real-life case study involving a worldwide renown corporation that falls on the top 5 companies in its industry.

RESUMO

Título: Estratégia de Expansão Internacional por meio da Cooperação - O Caso Alphabet

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Palavras-chave: *Fleet Management, Mobility Solutions, Lease Company, Automotive Industry, International Strategy, Expansion, Cooperation, New Market*

O estudo de caso aqui apresentado revela as estratégias utilizadas pela Alphabet International GmbH, empresa britânica de leasing e gestão de frotas, quando decidiu expandir a sua actividade na Irlanda através de uma cooperação com a empresa local Mahony Fleet. A Alphabet International foi fundada no Reino Unido no final dos anos 90, mas actualmente é totalmente detida pelo Grupo BMW e mudou a sua sede para Munique, na Alemanha.

O caso apresenta o processo de internacionalização desde os primeiros passos de aproximação ao novo mercado, até à conclusão do negócio e ao estabelecimento de uma relação de parceria internacional. Para além disso, o documento analisa as vantagens e desvantagens desta estratégia e os riscos e benefícios financeiros e de reputação que pode trazer à empresa que se internacionaliza. Por fim, com base nos dados recolhidos através de entrevistas realizadas com o Director de Novos Mercados da Alphabet e outros recursos internos, foram retiradas as conclusões finais, que demonstram que a parceria estabelecida entre a Alphabet e a Mahony Fleet foi um sucesso, pois permitiu à Alphabet aumentar a sua presença global, manter os seus clientes internacionais na sua carteira e conquistar novos clientes ao longo do tempo.

Este trabalho deve servir como ferramenta de ensino para futuros alunos, pois mostra como aplicar os conhecimentos teóricos adquiridos na sala de aula a um estudo de caso real envolvendo uma empresa de renome mundial que se encontra entre as 5 maiores empresas do seu sector.

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LIST OF ABBREVIATIONS:

- **GmbH** = Gesellschaft mit beschränkter Haftung = Limited Liability Company
- **E-Mobility**: Electric Mobility (Electric Vehicles)
- **EVs**: Electric Vehicles
- **Leasing**: renting an asset owned by another party
- **Funding Management**: overseeing and handling of a financial institution's cash flow
- **Fleet Management**: administrative approach that allows companies to organize and coordinate work vehicles
- **B2B**: Business-to-Business
- **B2C**: Business-to-Consumer
- **IFA**: International Framework Agreement
- **KAM**: Key Account Manager
- **OEMs**: Original Equipment Manufacturer
- **LeaseCo's**: Lease Companies
- **OLI**: Ownership, Location, Internationalization
- **FDI**: Foreign Direct Investment
- **White Spots**: Countries in which Alphabet does not have subsidiary, nor partners
- **AMB**: Alphabet Management Board
- **M&A**: Merger and Acquisition
- **AL**: Alphabet
- **FMC**: Fleet Management Companies
- **MF**: Mahony Fleet
- **Sole Suppliership Model**: When the customer decides to only give its fleet to one supplier. (Higher penetration)
- **Dual Suppliership Model**: When the customer decides to give its fleet to two suppliers. (Lower penetration)
- **NB**: New Business
- **PF**: Portfolio
- **R&D**: Research and Development
- **BEVs**: Battery Electric Vehicles
- **MNEs**: Multinational Enterprises
- **SMEs**: Small and Medium Enterprises

I. CHAPTER 1

1. CASE STUDY

1.1. INTRODUCTION

Since the beginning of the new millennium, innovation has emerged as one of the fundamental tools for business growth and development and it is increasingly becoming a key element in ensuring its global competitiveness.

The continuous escalation of technological evolution and international competition have led to a significant reduction in product life cycles and the extension of integration between technologies. This makes innovation riskier and more costly.

Then, companies can no longer rely solely on their research and development centers. The success of an enterprise, in fact, no longer only depends on the efficient use and development of internal resources; rather, it results from the ability to access external resources related to critical market success factors.

Based on these assumptions, a new strategic trend of creating and managing innovation has emerged, which aims at redefining the boundaries between the enterprise and its environment, in response to the need to activate mechanisms for exchanging innovation with other enterprises.

Thus, there is a move away from a strictly competitive model in favor of a collaborative one, in which the enterprise becomes more integrated within networks of actors to work with toward the creation and commercialization of knowledge.

The automotive industry, because of the heterogeneity of customers, the very intense competition, and the growing number of potential entrants, is one of the most competitive markets. Internationalization is one of the strategic choices made by companies operating in this sector to achieve a competitive position against the many competitors in the market.

This paper aims at analyzing the new collaborative paradigm and assessing whether how and why it has been adopted in the automotive field with a perspective of international expansion, highlighting what kinds of potential benefits automotive companies could achieve in choosing collaborative strategies and, conversely, what obstacles might prevent these benefits from being achieved.

The company examined is Alphabet, a car leasing and fleet management company that since 1997 has been part of the BMW Group.

The objective is to understand how it enacts partnerships with external parties, focusing on the collaboration with its Irish partner, Mahony Fleet, and how the activation of mechanisms

for exchanging, acquiring, and selling innovation with other automotive companies has consolidated its success in international markets.

The information in the case study comes from different sources such as interviews with the Head of New Markets of Alphabet, Marianna Michaloudaki, Alphabet and BMW Group websites, as well as Mahony Fleet website.

1.1.1. ALPHABET

On March 7th, 1997, in the UK, the BMW Group laid the foundation for the success of its international fleet management service in the area of leasing, funding management, fleet management and strategic management.

Alphabet is indeed a leading global provider of business mobility solutions, fully owned by the BMW Group. Its expertise in car and commercial vehicle management helps companies to handle their corporate mobility in an effective and sustainable way.

The company is driving the sustainable change through a holistic approach that includes the comprehensive E-Mobility consulting for a tailored and individual electrification strategy, helping its customers to reduce their carbon footprint and build a better future of mobility.

1.1.2. HISTORY

After its launch in 1997, and following a steady expansion, Alphabet was able to consolidate its position in Europe. In 2007, the firm celebrated its 10th anniversary, and by then it already had a portfolio of more than 250,000 company cars and about 680 employees worldwide (Alphabet, 2023). Moreover, the company was in the top 10 European fleet management service providers.

In 2011, Alphabet acquired ING Car Lease – a subsidiary of ING Group – which allowed the company to strengthen its international presence and multi-brand portfolio significantly; by then, Alphabet was already active in 18 countries and had almost 500,000 vehicles under management.

2013 was a milestone for Alphabet, as it reached number 500,000 cars under management, getting the company one step closer to becoming the leading European Business Mobility provider.

Additionally, also in 2013, Alphabet launched AlphaElectric – a new perspective for E-Mobility, responding to CO₂ targets, increasing urbanization and new mobility trends, and providing a comprehensive solution for the integration of electro-mobility into corporate fleets.

By 2019, Alphabet reached two other important targets, hitting the **700,000 vehicles** under management, and its **30th** country of presence. These successes were made possible by the trusted partnerships that the company built over the years and with its loyal customers. This is an important achievement for the company and an incentive to proceed on this path.

Today, in 2023, Alphabet has **14** wholly owned subsidiaries and **19** partners around the globe, adding up to a country coverage of **33** countries worldwide (Alphabet, 2023). (Figure 1)

1.1.3. MISSION AND RESPONSIBILITY

Alphabet, since its foundation, has built and is continuously building a strong sense of mission and responsibility in its daily business, keeping a strong and solid attachment on 4 pillars:

A. FOSTERING INTEGRITY AND TRUST:

Alphabet embraces its responsibility as a force for good, using it to make a tangible difference by proposing to people better mobility solutions through the application of its expertise in the sector. The objective is to develop efficient and innovative solutions that build a more sustainable and inclusive world.

Alphabet, additionally, is proud to closely not only support and serve its customer in the best possible way, but also to work in partnership with them, to grow together and achieve positive changes.

B. ECONOMIC EFFICIENCY:

By providing a vast range of mobility solutions that are sustainable and cost effective, Alphabet empowers its customers to ease their lives. Electric mobility is a big step towards becoming more sustainable, and to achieve its goal, Alphabet is strongly focusing its efforts on the integration of EVs into fleets, providing the necessary support to facilitate its customers in meeting their cost targets and challenges.

C. ENVIRONMENTAL SUSTAINABILITY:

Sustainability is a key corporate value for Alphabet, which is why it is placed right at the core of the company's interests and missions (Figure 2). In fact, the company is aware that being a global organization, its activities have a strong impact on the environment. Therefore, it is fully committed to helping its customers reach their CO₂ reduction targets in order to increase its positive impact on the environment.

D. SOCIAL RESPONSIBILITY:

At Alphabet, social impact and corporate social responsibility are the very essence of the business and its culture. The organization is indeed highly respectful of human dignity and promotes the highest level of ethical behavior and inclusion. In fact, one of the solid pillars upon which Alphabet stands is its company's inclusivity and diversity, both in terms of company vision and in terms of its workforce. In fact, in the whole BMW Group, of which Alphabet is part, there are over **150,000** colleagues, coming from over **100** countries worldwide, of which **6.2%** with severe disabilities, **20.2%** of the people in managerial positions are women, and **45%** of female participants in the trainee programme. (BMW Group, 2023)

Therefore, this led the organization to become a member of The Valuable 500 (Figure 3) – the award given to companies that adopt inclusivity and equality in their daily business, without making gender distinctions.

1.2. BUSINESS

Alphabet is one of the top fleet management companies in the area of leasing, funding management, fleet management, and strategic management, as well as a global leader in providing business mobility solutions.

Having been in the industry for over 25 years, Alphabet has established itself among the top 5 companies in its sector, and it is also to consider that it is not a bank owned leasing company – a concept that will be further developed later in the competitors' section.

1.2.1. CORE BUSINESS

Alphabet focuses its core business on mobility solutions to provide its customers with seamless experience of quality management, done in an effective and sustainable way.

The company is indeed driving the sustainable change through a holistic approach which also includes E-Mobility consulting, to help its customers achieve their CO₂ emission targets, optimize their carbon footprint, and move towards a better, greener future.

Additionally, Alphabet has a high focus on fleet funding and consulting, that are closely related to the sustainable side of the business by continuously optimizing the customers' business mobility.

To sum up, the 4 main pillars of the Alphabet core business can be summarized in the following:

i. Manage your fleet like a master

Establishing a partnership with Alphabet can bring companies their ideal fleet, from financing to maintenance.

ii. Consulting

With highly experienced consultants, the company can support you from predicting to preventing potential incumbent risks and help you reach your targets and seize new opportunities.

iii. Fleet funding

Alphabet offers a wide variety of fleet funding options based on its customers' needs, for instance, in case the need is to predict monthly budgeting, or to own the vehicle at the end of the leasing contract, they have the right funding options.

iv. Short- and Long-Term Rentals

With Alphabet, you can decide whether to rent for a day, a month, a year, or even longer, choosing from a large selection of vehicles across the globe, including electric, premium, and commercial vehicles. (Alphabet, 2023)

1.2.2. CLIENTS/COMPETITORS

A. CLIENTS:

Alphabet is a B2B company that focuses its effort on the selling of its products to other businesses, rather than directly to the consumers – B2C.

Its primary focus lays on large fleet size potential (around 1000 vehicles), and in order to establish an international relationship with a customer, the customer has to have an interest in leasing the company vehicles in at least 3 of the Alphabet markets.

On the other hand, if the customer does not intend to engage in an international relationship, because it is only interested in 1 or 2 countries, it could still establish a local agreement, directly with the market of interest.

Being Alphabet International the Headquarter, in the case there is not the willingness from the customer to sign an IFA, it is still its responsibility to mediate between the customer and the market in question until a valid contact has been made between the parties. Only after that, the relationship is completely handed over in the hands of the local KAM.

B. COMPETITORS:

The fleet management industry has historically been dominated by banks, with OEMs now entering the market (Enderle et al., p.20, 2017). Banks identify this industry as a prosperous business model with profitable interest margin and manageable risk.

Banked owned leasing companies have a strong competitive advantage over OEMs, simply because the risk that a bank faces is very limited compared to the ones that an OEM faces. However, OEMs were able to find their way back into fleet management by leveraging the financial power of their captives – in this case, bank owned LeaseCo's.

There are 5 top players in the European fleet management industry, and those are:

- i. **LeasePlan** – fully owned by LP Group B.V., consortium of institutional investors
- ii. **ALD Automotive** – fully owned by Societe Generale Group
- iii. **Arval** – fully owned by BNP Paribas Group
- iv. **Alphabet** – fully owned by BMW Group
- v. **Athlon** – fully owned by Daimler Financial Services AG

The fleet management market is a highly consolidating market today, and in such an environment, the top 5 companies above mentioned, own more than **50%** of the entire market in Europe. (Enderle et al., p.20, 2017).

In the next paragraphs we will analyze the strategic decisions that led Alphabet to strengthen its geographical expansion, deepening how its approach has changed over the years and

focusing on the decision process of undertaking internationalization through cooperating with partners.

1.3. INTERNATIONALIZATION

1.3.1. WHY TO INTERNATIONALIZE

“Through our extensive partner network, our International Customers can access our services across the world.”

Susanne Loser

Chief Sales Officer

Alphabet International GmbH

In today’s globalized world, one of the key elements of success to be (or become) an international business, is having a large network. Analyzing the mobility business, many companies have started, over the last few years, to internationalize their fleet procurement. Therefore, it is mandatory for mobility business suppliers, such as Alphabet, to operate on a global level.

Some of the elements for the decision to undertake the internationalization process and look into international prospects across countries are geographical coverage, pricing, consultancy, financial strengths, and reporting tools.

Furthermore, probably the most important reason for Alphabet to decide to begin partnership agreements with local companies in other markets rather was that at the time – in 2017, before the first partnership was established – the company was losing customers in its already existing markets due to the lack of presence in certain areas.

Therefore, if a customer wanted to expand its agreement in a new country, with Alphabet not operating in that country, it would be a missed opportunity for the customer, that could decide to replace Alphabet with another supplier. Then, to be able to serve and secure its already existing customers, and make sure to be strong enough to win new ones, Alphabet International decided to change the strategy previously adopted and move to the cooperation strategy.

1.3.2. BUSINESS STRATEGIES

In order to expand on an international level, Alphabet needed to pass the so-called OLI paradigm check (Dunning, 2000). Breaking down and analyzing the three fundamental factors to successfully engage in FDI, we can see that:

- Firstly, Alphabet needed an Ownership advantage to overcome the liability of foreignness. Ownership refers to the possession of a unique, valuable, hard-to-find and hard-to-copy, and organizationally embedded resource that would assure the company a competitive advantage over other foreign competitors.

The main competitive advantage that the organization would bring as an added, unique value to the new market was the strong brand name and reputation status, considering that Alphabet is owned and represents the BMW Group, which has a worldwide awareness and a considerably positive image.

- Secondly, there must be a Location advantage in the market Alphabet is trying to enter. Also in this case, given the liability of foreignness, the host country must offer compelling advantages to make the undertaking of FDI a move worth doing for Alphabet.

These advantages can be geographical, for example, as the white spots might put at risk the fleet potential of already existing customer as well as the incoming tenders and final gain of new potential customers, for both reasons due to the presence of large international coverage by the customers.

- Thirdly and lastly, the Internationalization advantage needed to be considered. In this case, there are many different advantages, since partnering up with a local competitive player can give the firm an advantage on the market itself, putting Alphabet in a favorable position; it could also provide the organization with a highly positive brand image and reputation on a local level from the moment the partnership is formed; additionally, it reduces the entry cost, multiplies the number of resources to use in innovating and it strengthens the technologies, given that two companies can combine their own technologies, since even though they are working on different specific target and goals, they have a common interest of becoming highly competitive and reduce competition to the bare minimum.

After having considered the OLI paradigm, the AMB has decided to change the already planned expansion strategy of M&A and replace it with the more efficient and tangible cooperation approach. They then decided that the way to move forward was through

international partnerships with strong local players, since it was a much easier way of entering the new market, which required no investment, and even though for Alphabet the only revenue comes from the referral fee, it would allow the company to stay in business with big international customers.

1.3.3. HOW IT HAS CHANGED OVER THE YEARS

The initial strategy adopted by the company was the M&A expansion strategy, meaning that they would acquire companies and expand as AL own entity, which would have brought to the firm higher revenues, although it would have incurred in higher initial costs as well. However, after the BMW Group decided to start focusing more on Electrification and Autonomous driving/mobility, Alphabet had to adapt, and investment in M&A was not a possible path to follow anymore, and therefore, in 2017, they undertook a 1-year-project-phase to redirect their efforts and completely change strategy, adapting it to the needs of the parent company, and started to adopt the expansion through cooperation strategy, in which the company has been really successful since the beginning, given that they implemented 13 new cooperation partnerships by 2018. (Alphabet, 2023)

1.3.4. COLLABORATE TO INTERNATIONALIZE – Reasons and Partner Selection Criteria

To gain a better penetration to international customers, Alphabet, has partnered with market leaders in FMC around the world to expand its presence and operations in mobility services into new markets.

The focus of this section is on the implementation, evolution, and management of the Alphabet cooperation partnerships, which will then lead into the reasons behind the choice of establishing a partnership with Ireland, and more specifically the one with Mahony Fleet. After the collection of the information from the Head of New Markets, Marianna, I was able to understand that the process of internationalization has a specific procedure, and multiple steps – 6 to be precise – need to be followed in order to make the process smooth and impeccable, and we are going to analyze all of them, individually:

i. Strategy Phase:

This phase indicates the market entry prioritization based on the Alphabet heatmap or company opportunities. The heatmap serves the purpose of prioritizing a market over the others, focusing on external macro-environmental factors such as industry factors – e.g., operational lease growth – and company factors – e.g., Alphabet presence in the market.

During this initial phase, the selected market to be entered gets analyzed, and strategic company checks are performed.

ii. Partner Selection Phase:

After the market selection, a list of potential partners is made based on specific criteria such as market positioning, fleet size, range of products/services provided, and cultural fit.

Consequently, tailored details for specific partners are created within cooperation management to ensure a positive impact on Alphabet's competitiveness. In fact, keeping a good cooperation alive is more challenging than it seems; especially when the cooperation partner serves multiple markets, and this might have an impact on Alphabet's global footprint.

Some of the main issues arising from international cooperations are related to the complexity of different languages, corporate cultures, nations, business activities, and business objectives (Child et al., 2019). For instance, when a partner does not have any previous experience in collaborative relationships, the challenges to face increase drastically. To avoid putting at risk the relationships with the customers, Alphabet, being the main partner, coordinates all collaborative and marketing activities.

iii. Cooperation Agreement Phase:

Once the partner selection phase is over, the cooperation agreement phase takes place. In this phase, different types of assessment need to be run to understand if the cooperation agreement can finally be signed.

These assessments involve financial, IT, compliance, legal, and general business checks.

iv. Ramp-Up Phase:

This phase serves the sole purpose of supporting the new cooperation partner in the most efficient way, in order to reduce the risk of incurring any problems or difficulties between the two parties. This puts the partner in the best condition to meet all the expectations generated by the agreement and achieve the predefined common objectives.

v. *Steering Phase:*

The steering phase serves to manage and, in case it is needed, to improve the cooperation to give the customers the best possible service in the respective markets.

During this phase, specific KPIs defined by the Alphabet Sales team – and then monitored by the Alphabet Cooperations Management Team – are activated as part of the yearly targeted settings.

vi. *Termination Phase:*

The cooperation termination phase secures the customer and its interests, foresees a good external communication, and avoids harms – especially reputational damage – to Alphabet. These cooperation approaches that Alphabet has established over the years aimed at long-lasting, competence-building networks, including partners of similar size which are not direct competitors, and with no geographical overlaps, for two main reasons:

On the one hand, partners of similar size allow an easier communication, help teamwork, and promote the convergence of common objectives.

On the other hand, different geographical area coverage allows the two parties to focus all their efforts on their own areas and markets. Additionally, not having the same geographical coverage harmonizes the relationship and stabilizes it, which consequently allows for a higher potential for development, and a potential competition would not be seen as a threat, but more as a stimulus. However, we need to bear in mind that even if two companies cooperate, they will always be competitors, regardless of geographical coverage and other relevant factors. Therefore, competition remains an obstacle as the partnership grows and becomes stronger over time, as new objectives develop.

This paper aims at analyzing the motivation for Alphabet to undertake international expansion strategies using strategic collaborations. The following paragraphs will identify the underlying reasons behind the choice of coopetitor Mahony fleet, going in depth into the goals the company is seeking from this partnership and the implications, both in terms of risks and benefits, and in terms of future perspectives.

1.4. PARTNERSHIP WITH MAHONY FLEET

1.4.1. COMPANY OVERVIEW

Mahony Fleet – part of Denis Mahony Group – is a family-owned-and-run-business, pioneer vehicles leasing company, and Ireland’s leading independent vehicle leasing, fleet management, and mobility provider, with a deep history going back to 55 years ago. It provides tailored leasing solutions to SMEs and MNEs, accommodating different sizes of fleets. Its services focus on supplying, financing, managing, and maintaining passengers (cars) and LCVs fleets. (Mahony Fleet, 2023)

The partnership was officially established on April 3rd, 2018, and since then, customers with business activities in Ireland could rely on Alphabet’s complete range of Innovative Business Mobility solutions. Furthermore, businesses could also access Alphabet’s range of add-on mobility products and services (Figure 4).

This cooperation was born from the great potential that the Irish market could provide to local businesses and the interest of Alphabet in expanding its customers’ activity in that market.

1.4.2. THE CHOICE OF MAHONY FLEET

The selection process for the choice of Mahony Fleet as the Irish partner of Alphabet followed the 6 phases explained in section 1.3.4., and in this section we are going to tailor it to the decision used by Alphabet to conclude that Mahony Fleet was the right company to be chosen as its partner.

The first stage of the selection process for even considering expanding in Ireland was to listen to the customer needs. In that moment, there was a high demand from AL customers to expand their business in Ireland, also considering the close proximity to the UK, meaning that there was a good connection to a very important Alphabet market. Therefore, since Alphabet’s heatmap was high, the company started by screening the market to spot the top leasing companies in Ireland and analyzed the potential growth of operational lease in that market.

After the screening phase, Alphabet entered the partner selection phase, in which they selected the top 5 players in the industry in the Irish market, analyzing important aspects such as potential international customers, fleet size potential in the market, fleet management services provided, already existing international experience in collaborative partnerships, among the most important ones.

The next 3 phases – cooperation agreement phase, ramp-up phase, and steering phase – are the bureaucratic steps necessary to make sure that Mahony Fleet had everything in place to make a good partner in terms of compliance and legal aspects, as well as in efficiency in dealing

with both local and international customers on a local level, and to provide the best possible services to their customers.

After a thorough analysis of the company, Alphabet decided that Mahony Fleet was the best possible option to establish a collaborative relationship in Ireland, given that it was among the top 3 most competitive leasing companies in the country, it offered the services that would suit Alphabet customers' needs, and it had a great brand image and reputation that could immediately benefit Alphabet from the moment of the establishment of the agreement.

1.4.3. PARTNERSHIP OBJECTIVES

Establishing a partnership with Mahony Fleet was an important strategic move for Alphabet, and it had different objectives that are going to be analyzed in the following section.

The main objective of this partnership was to allow Alphabet to serve international customers in Ireland, since the demand from customers to have a presence in Ireland was high when the cooperation agreement was established, and some important customers urged to receive the leasing services in Ireland, which was a market not yet covered by Alphabet. Therefore, it can be said that this was an important strategic move to increase geographical coverage to satisfy customer needs and please their expectations of having an even larger fleet coverage worldwide.

Moreover, there are other important factors that needed to be considered by Alphabet when establishing this collaborative deal, and that revolves again around the customer necessity to have the right products/services and the right pricing, along with an international geographical coverage. This was an aspect that made Ireland become a very important country to expand into, since back in 2017/2018 – when the partnership was still in the negotiation phase – Ireland was among the countries that customers were looking into for their fleet, and MF offered the right products/services, and they were very well positioned in terms of pricing. Therefore, these 3 key elements were crucial for Alphabet to decide to begin this relationship agreement with Mahony Fleet.

Lastly, another important aspect that Alphabet had to consider was that, from this cooperation, it would be able to penetrate on a local level, and the higher the level of penetration, the more the customers can consequently penetrate the new market, and the more they are interested in going for a Sole suppliership model, rather than Dual. This would give a huge advantage to Alphabet, because it can grow its NB yearly and overall PF in the long run.

1.4.4. POTENTIAL RISKS

There are 3 different levels of cooperation that can be established when setting up this type of partnership, and they all have different risks that the company can face.

In this section, the three levels of cooperation agreements will be explained, and then the focus will move onto the type of cooperation used by Alphabet with Mahony Fleet, the reasons behind this approach, and the risks that it takes to the agreement.

i. Level 1 – Referral: **No Risk**

The first level is referral, in which the expanding firm does not incur any risks, given that it is simply establishing a partnership, without buying any company, nor investing in anything outside its own entity. In fact, as previously explained, the cooperation strategy is basically a risk-free strategy where the investment is practically non-existent, if not in terms of time consuming. However, no risk, no reward, and in the case of Mahony Fleet, it could be the perfect example, because referral is the approach that Alphabet decided to use when expanding to Ireland, simply knowing that they would have a great geographical advantage in that area, and that the business was flourishing.

Alphabet and Mahony Fleet are now cooperative parties that do not share any type of ownership, and the only source of profit that they can generate from each other, comes from the referral fees that are upon agreed at the moment of the signature of the partnership agreement.

ii. Level 2 – Elevation: **Medium Risk** – mainly Reputational risks

With this approach, Mahony Fleet will not only be partnering up with Alphabet, but it would borrow Alphabet's name too. The elevation is a step that can be taken and implemented further on in the partnership, and in that case, the Irish company would no longer be Mahony Fleet, but it would become Mahony Fleet powered by Alphabet.

If this second step will eventually take place, the reputational risks that Alphabet will be facing are much bigger, given that its name will be displayed, and any negative practice from the Mahony Fleet side would have a direct and immediate impact on the reputation and image of Alphabet.

iii. Level 3 – Franchise: **High Risk** – highly unlikely to happen

The franchise is the ultimate level, which brings a high risk to the dominant company, as it requires a large amount of money to be invested into the creation of the franchise. This is a level

that Alphabet is not even considering approaching because it increases the economic and financial risks of the company.

Moreover, in order for this to happen, there must be a high appetite from the parent company, which in the case of Ireland is not necessary, since the referral has already improved Alphabet's relationships with its customers and in this way, the firm can keep the risks low, and focus on different expansions without having to worry too much about the ones already running.

As of today, the relationship between Alphabet and Mahony Fleet is in place since 2018, and it is smooth and solid. However, Alphabet might consider levelling up this partnership with the elevation, which could potentially be a great approach to have even more market power and reduce even more competition.

The reasons why Alphabet should consider reaching the second level, after having established a strong collaborative relationship in the Irish market is that the association of the Alphabet logo to the Mahony Fleet one might trigger customers and generate a positive response from them, given that the partnership is now in a favorable position for both parties. In fact, if the partner uses Alphabet's logo next to its own, both companies could become more trusted and customers be attracted because over the years, Alphabet has strengthened its position on a global level, thanks to the strong reputation of its parent company, BMW Group.

However, the first step to decide whether this is a good path to undertake would be to start interviewing customers, starting with the most important ones, and checking whether they would be interested and excited about this elevation. If the response is positive, it might be worth trying to make this switch happens, but, if the customers do not show any particular interest, this approach could only generate a potentially important reputational damage to Alphabet, and therefore it would not be worth risking damaging the brand image.

II. CHAPTER 2

2. LIST OF FIGURES

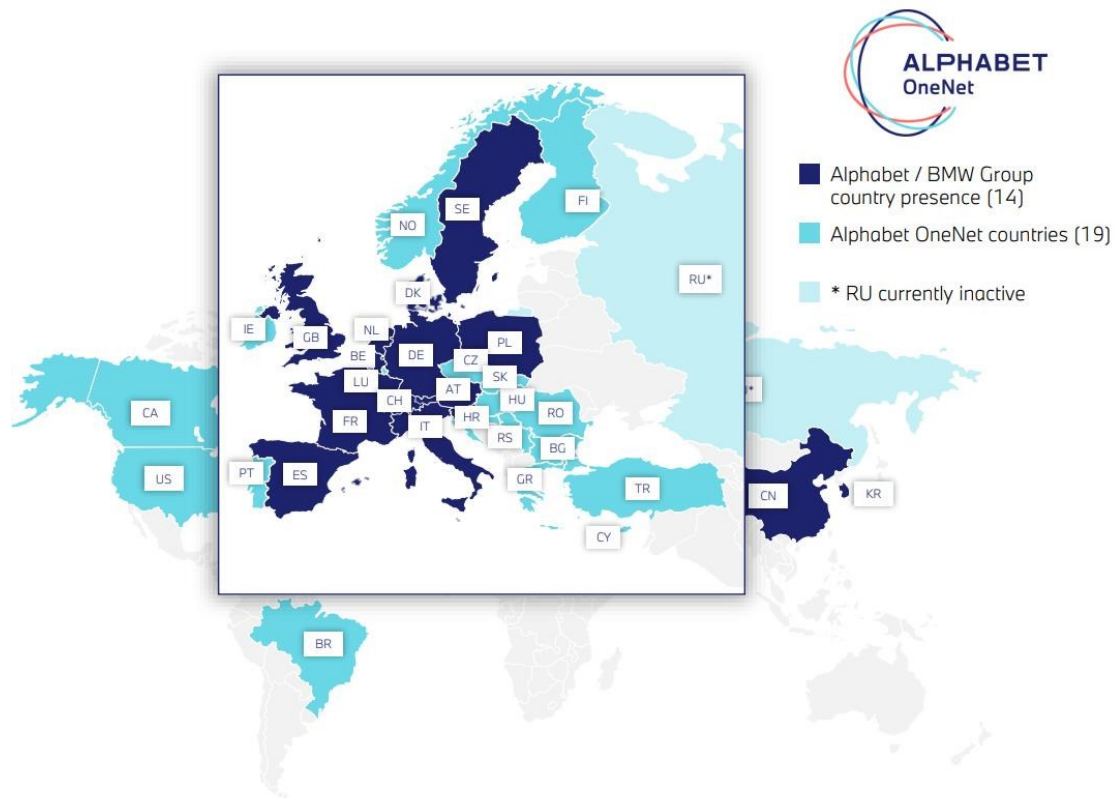


Figure 2. Alphabet Country Coverage



Figure 1. Alphabet Sustainability Mission



Figure 4. BMW Social Responsibility Positioning

Scope of Alphabet Services offered

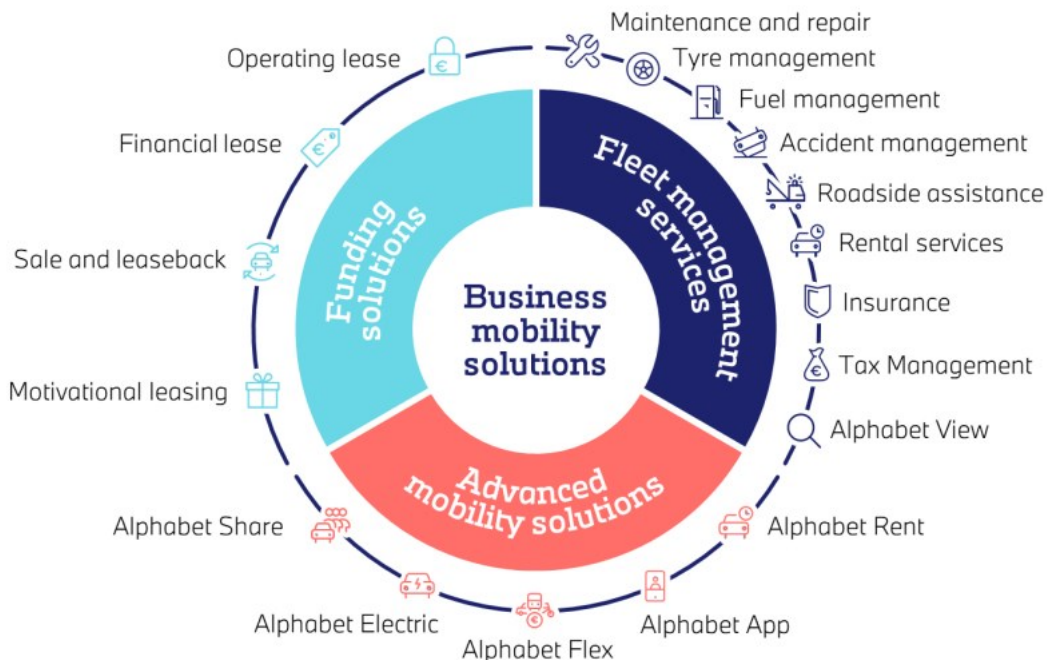


Figure 3. Scope of Alphabet's Services Offered

	Internationalization motive	Dominant approach
Intrinsic motives →efficiency approaches; resource based-view; learning	<input type="checkbox"/> Market-seeking <input type="checkbox"/> Efficiency-seeking <input type="checkbox"/> Resources-seeking <input type="checkbox"/> (strategic) asset-seeking	MICRO: INTERNATIONAL MANAGEMENT
Mixed motives →competitiveness and positioning in sector; co-evolution	<input type="checkbox"/> Sector: Bandwagon effects e.g. in country selection; follow the client; risk minimizing <input type="checkbox"/> Monopoly/Oligopoly effects; follow the competitor	MESO: INTERNATIONAL BUSINESS, INTERNATIONAL STRATEGY, INTERNATIONAL ECONOMICS
Extrinsic motives →bargaining/negotiation and game theoretical approaches; stakeholder approach; institutions-based view; bundled resources	<input type="checkbox"/> Home: Escape motives from home country; strategic extension of home country <input type="checkbox"/> Host: High/low barriers to entry	MACRO: INTERNATIONAL POLITICAL ECONOMY

Figure 5. Motives of Internationalization (Tulder, 2015)

Causes	Specificity:	Difficulties	Solutions	Relationship to advantage:	To solve it:
Loss of an advantage	Specific to a firm	<i>Inability to transfer advantage:</i> A resource that was the source of advantage in existing operations loses its advantageous characteristic when transferred to the new country	Competitors in the new country are not up to par, or do not exist, particularly in the introduction stage of an innovation	Reduced when:	Develop advantageous resources locally, allowing the subsidiary to create its own strategy and advantage
	Common to a set of firms	<i>Inability to create value:</i> A set of firms in an industry do not obtain value from the transferred resources that were a source of advantage in existing operations because their products are not useful in the new country	Not reduced		Avoid entering the new country, or exit it if already entered
Creation of a disadvantage	Specific to a firm	<i>Disadvantage of transfer:</i> A resource becomes disadvantageous when transferred to the new country	Firm internationalizes through trade or reduces the value-added activities undertaken abroad		Evaluate the appropriateness of the resources to the new host country, modify the resource transferred if it creates a disadvantage
	Common to a set of firms	<i>Government-based disadvantage of foreignness:</i> A set of firms from the same country are discriminated against by the host government because it dislikes their country of origin	Political relations between the home- and host-country governments are good		Obtain support from government, directly by negotiating or lobbying the government; indirectly by linking with prominent local actors who obtain support
		<i>Consumer-based disadvantage of foreignness:</i> A set of firms from the same country are discriminated against by consumers because they dislike their country of origin	Firm or its products lack association with the discriminated country of origin		Avoid connection between firm and country of origin, directly by hiding country of origin, indirectly by using country of origin that is different from true one
Lack of complementary resources	Specific to a firm	<i>Liability of expansion:</i> The firm lacks complementary resources needed to operate at the larger scale required by the expansion in the new country	Firm already developed resources to manage the additional scale and complexity before expanding in the new country because it is a large, diversified, or multinational firm		Develop management and information systems in existing operations; alter the organizational structure
		<i>Liability of newness:</i> The firm lacks complementary resources required to compete in the industry of the new country	Firm operates in a global industry with similar competitors and customers across different countries		Invest to develop the complementary resource needed to compete in the industry of the new country; purchase the resource; access the resource of a local firm through an acquisition or alliance
		<i>Liability of foreignness:</i> The firm lacks complementary resources required to operate in the institutional environment of the new country	Firm has operations in countries with institutional environments similar to the new country		Invest to develop the complementary resource needed to operate in the new institutional environment; purchase the resource; access the resource of a local firm through an alliance
	Common to a set of firms	<i>Liability of infrastructure:</i> A set of firms do not obtain value from transferred resources because customers in the new country lack complementary assets to use their products	Products are simple to use or standalone		Provide customers with the complementary tangible or intangible asset necessary to use the product

Figure 6. Causes of the Difficulties in Internationalization (Cuervo-Cazurra et al., 2007)

Market seeking
Acquiring means of distribution
Gaining access to new technology, and converging technology
Learning & internalization of tacit, collective and embedded skills
Obtaining economies of scale
Achieving vertical integration, recreating and extending supply links in order to adjust to environmental changes
Diversifying into new businesses
Restructuring, improving performance
Cost sharing, pooling of resources
Developing products, technologies, resources
Risk reduction & risk diversification
Developing technical standards
Achieving competitive advantage
Cooperation of potential rivals, or pre-empting competitors
Complementarity of goods and services to markets
Co-specialization
Overcoming legal / regulatory barriers
Legitimation, bandwagon effect, following industry trends

Figure 7. Reasons to Enter a Strategic Alliance (Knoke and Todeva, 2005)

1. **Organisational - Learning / Competence Building** - various kinds of learning and internalisation of tacit, collective and embedded skills; restructuring; improving performance; acquiring means of distribution; recreating and extending supply links in order to adjust to environmental changes; complementarity of goods and services to markets; legitimation
2. **Economic - Market- Cost- & Risk related** - market seeking; cost sharing and pooling of resources; risk reduction and risk diversification; obtaining economies of scale; co-specialisation
3. **Strategic - Competition Shaping / pre-emption / Product & Technology related**: achieving vertical integration; achieving competitive advantage; diversifying into new business; gaining access to new technology; converging technology; R&D; developing new products and technologies; co-operation with potential rivals or pre-empting competitors; bandwagon effect and following industry trends
4. **Political - Market development**: developing technical standards; overcoming legal / regulatory barriers

Figure 8. Categories to Sub-divide the Reasons to Engage in Strategic Alliances (Knoke and Todeva, 2005)

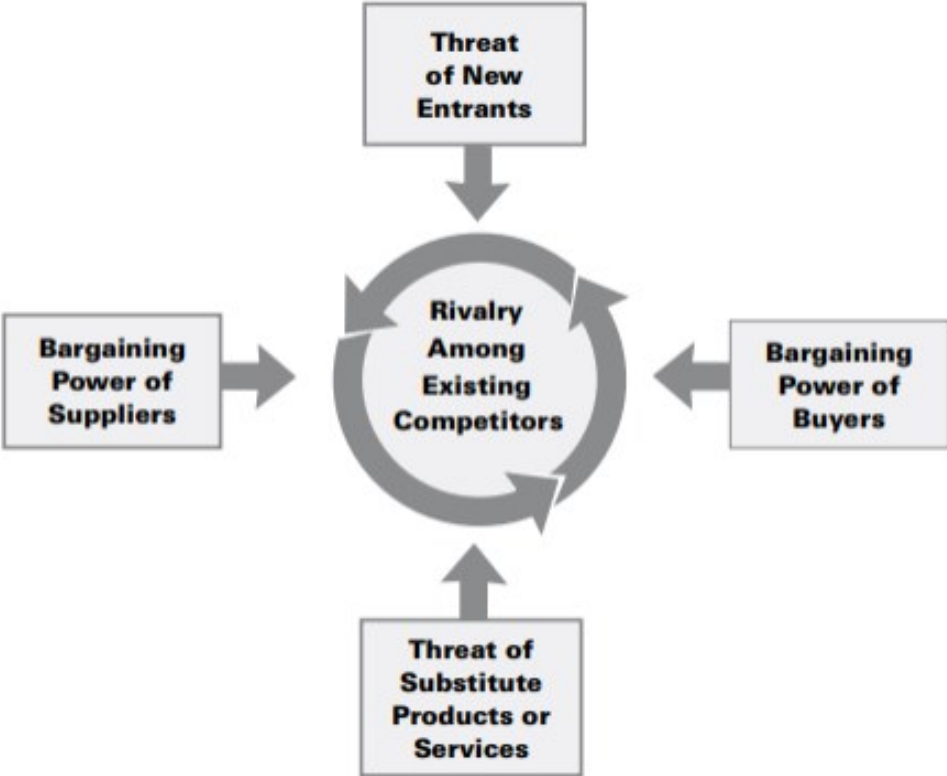


Figure 9. The Five Forces That Shape Industry Competition (Porter, 1989)

III. CHAPTER 3

3. THEORETICAL BACKGROUND – LITERATURE REVIEW

3.1. INTERNATIONALIZATION – Theoretical description of the internationalization strategies

The internationalization of a company consists in the extension of its strategies of products/services to other countries (M. Roque et al., p. 2, 2019). Based on the study conducted by M. Roque et al., we can break down the internationalization process of a company into three fundamental steps:

- i. The expanding company needs to have a thorough understanding of the competences in the country where it wants to have business to make sure it can have an international competitiveness dimension;
- ii. The internationalization almost always starts with exporting, and it is defined to be sequential, ordered, and slow, based on the product/service's lifecycle;
- iii. When the firm reaches multinational status, it must face different challenges, especially strategically, meaning that it needs to choose between integrating its products/services globally and adapting to the local needs and activities. (M. Roque et al., 2019)

If the company is able to meet these criteria above, the potential for success in its international expansion increases. However, expanding internationally is a huge risk for companies, as they might lack resources such as R&D, financial, funding, and technological.

Over the years different studies have been conducted on this matter, and different theories have arisen. The most common theoretical approaches to internationalization strategies can be summarized as follows:

- i. Theory of Contingencies:

This theory suggests that the organizational structure of each firm is not standardized, but rather it depends on the environmental and organizational context (Ginsberg and Venkatraman, 1985).

ii. Institutional Theory:

According to DiMaggio and Powell (1983), this theory provides an understanding of corporate behavior towards external pressures. A perspective explained by M. Roque et al. (2019), demonstrates that “*where repetitive social behavior is supported by normative systems and cognitive knowledge that in turn assign meaning to social changes and hence allow the self-reproduction of social order.*” (M.Roque et al., 2019). From this, we can infer that the internationalization process chosen by a company has a strong influence on the institutional behavior of the company itself.

iii. Theory of Networks:

According to Johanson and Mattson (2015), the theory of networks suggests that the internationalization process helps companies create a relationship that can be maintained, evolved, or ended, depending on the companies’ objectives.

iv. Theory of Internalization:

This theory is centrally based on the market’s imperfections. In fact, according to M. Roque et al. (2019), companies, to take advantage of those market imperfections, perform internally the operations that the market is not able to efficiently perform.

3.1.1. REASONS BEHIND INTERNATIONALIZATION

According to Twarowska (2013), companies decide to expand on an international level for a variety of reasons, i.e., to diversify a business, to open opportunities in a completely new market, to reduce budgets and increase profits, etc. Another study conducted by Root (1998), shows that the four main strategies to expand internationally that companies can use are: *Joint Ventures, Outsourcing (Exporting), Licensing and Wholly-Owned Subsidiary* (Root, 1998). A fifth approach strategy that is also commonly used by companies is a *Strategic Alliance*, which is also the type of strategy that I have analyzed in my case study. In fact, I concentrated my research on a specific *Strategic Alliance* approach used by Alphabet to enter the Irish market through the partnership with the local company Mahony Fleet, underlying the reasons behind the implementation of this strategic approach, the benefits the two companies were able to gain from the cooperation, and the reasons why this represents a significant competitive strategy when expanding in a new, unexplored market.

3.1.2. STRATEGIC CONSIDERATIONS – Advantages and Disadvantages

When a company decides to expand its business abroad and enter a new market, it always faces advantages and disadvantages. If we begin by focusing on the advantages of such choice, as Tulder (2015) suggested in his research, “*motivation, incentive, and decision-making theories generally distinguish between three types of motivations: Intrinsic, Extrinsic, and Mixed Motives*”. (Tulder, 2015) (Figure 5). These three advantages of internationalization can be further discussed and analyzed:

i. INTRINSIC MOTIVES.

Intrinsic motives refer to the exploration of the resources that a company needs to transfer in a different location, but also to the benefits gained when becoming a multinational company, as well as the internationalization of its market across borders. This theory was earlier developed by Dunning (1998), and he called these reasons “locational advantages”.

ii. EXTRINSIC MOTIVES:

On the other hand, extrinsic motives can be defined as the home and host country considerations when deciding to go abroad (Turdel, 2015). From a home country perspective, the company might be saturated in that market and need to gain power in a different country, therefore, making this a strategic move to extend the business and explore new possibilities. Whereas, from a host country perspective, this might be a drawback, as every country has different laws and regulations, and therefore, entering a new market is not always the easiest and safest option. In fact, a company needs to consider different aspects when expanding, for instance, the type of products/services being exported, the cost of entry in the new country, and the legal, financial, and political aspects, which might make the process costly and lengthy, and in the end, not totally worth doing it.

iii. MIXED MOTIVES.

Mixed motives are nothing more than intrinsic and extrinsic motives combined, and they can be classified as sector intrinsic motives (Tulder, 2015). As stated above, every company has a different internationalization process based on the country, market, sector, and industry the company is trying to enter. Normally, firms try to expand and establish themselves in new countries once they have gained sufficient market power in the country of origin, and therefore

they can be backed up by a strong local presence in their country, which might help them succeed in the new market.

However, when a firm decides to take this step and expand internationally, there are also many major disadvantages that it might face. According to Cuervo-Cazurra et al. (2007), there are three main types of difficulties that can challenge the internationalization process of an organization: (Figure 6)

- i. The inability to transfer an advantage that the company has in its country of origin can become a threat especially if competition in the expanding country is high; this risk could be avoided by immediately developing local resources to create a strategic advantage.
- ii. The inability to create value: therefore, a firm should always make sure that the country to be entered needs the products/services that are being provided. Otherwise, it becomes practically impossible to establish in the new country and become a key leader in the industry on a local level.
- iii. Government-based and Consumer-based disadvantage of foreignness: in the first case, the government discriminates the home country of the new entrants, generally for political reasons, and therefore the best solution to mitigate this issue would be to seek direct support from the government; in the second case is the consumer that discriminates the home country of the firm and therefore it might directly affect the success of the company. To prevent this situation, any connection between product/service and country of origin should be avoided.

Lastly, there are four types of liabilities that should be considered before expanding a business, which are (Cuervo-Cazurra et al., 2007):

- *Liability of Expansion* – where the firm lacks resources to operate at the level required by the host country;
- *Liability of Newness* – where the firm lacks resources to compete in a specific sector in the host country;
- *Liability of Foreignness* – where the firm lacks resources to operate in the institutional environment of the host country;

- *Liability of Infrastructure* – where, in this case, the consumers lack assets to use the firm's product in the host country.

3.2. COOPERATE FOR GROWTH – THE EVOLUTION OF TECHNOLOGY COLLABORATION MODELS IN THE AUTOMOTIVE INDUSTRY

The rapid market development and the resulting changes have led to a gradual blurring of the boundaries separating competition from collaboration.

As Caroli and Fontana (2017) stated, "*there is no conceptual reason to assume that the strategic interaction between two parties should be exclusively antagonistic*".

On the contrary, value-creating activities can and often must be carried out together with other partners. It is the entrepreneurial goal of maximizing economic value that leads to the concept of "Coopetition": the attitude of cooperative competition that is established between competing firms when they collaborate in the implementation of a specific activity or phase of their business.

From this perspective, a partnership is perceived by companies not only as a milestone to save their business, but rather as a real benefit to those implementing it. In particular, a partnership can be a gateway to enter markets they would otherwise never have been able to penetrate.

The automotive industry is an interesting subject of investigation because it is characterized by the involvement of large multinational groups that compete, but in many cases collaborate, and has been strongly affected by the changing external environment.

The current situation in the automotive industry is the result of a historical development process, in which market growth and remarkable profitability have often reversed the controlling position of manufacturers. More specifically, three stages of development of collaborative relationships between automakers can be identified. The first phase starts from the diffusion of the first gasoline-powered car models, then from the early 1900s until about the 1950s.

It is characterized by a tendency toward closed technological progress, in which development and production took place mainly in each other's factories, and the lack of interaction between automakers found reason in the limited size of markets and, above all, their segmentation.

Beginning in the 1950s, markets began to assume international dimensions. In this context, automotive companies recognized the possibility of expanding their boundaries, extending their business, and increasing their know-how. Thus, the first collaborations emerged as a way to enter new contexts and expand their knowledge. Starting in the 1980s, the level of knowledge acquired by automakers begins to be aligned and competition, as well as those operations necessary to maintain the leadership in a market that is now almost entirely globalized, came into the picture.

In the current context, two other elements intensify the phenomenon of alliances: today, extremely complex technologies are being developed, requiring the deployment of a substantial number of resources in terms of both financial and human capital. And it is because of the huge costs that companies increasingly tend to establish collaborative relationships. The strongly emerging idea is that firms cannot pursue innovation development strategies by only relying on their own background of knowledge and resources. Instead, innovation is increasingly being shaped as the joint result of research and development activity carried out by firms belonging to business ecosystems (Iansiti and Levien, 2004).

3.2.1. COLLABORATION STRATEGIES

A collaborative strategy can be defined as the set of inter-organizational relationships and activities aimed at pursuing one or more common goals by sharing resources and expertise, which contributes to generate greater value for the enterprises setting up the collaboration. An element of characterization, whereby the alliances can be distinguished, is the territory where the actors involved operate. The coexistence of competition and cooperation is greatly influenced by the nature of the environment where firms operate and especially by the type of activities in which they engage. Firms tend to seek cooperation at the initial stage of research and development and then later regain a competitive attitude at the stage of exploiting the achieved results. Potential business profitability, therefore, is linked not only to the intensity of competition in each environment, but, as we have seen, also to the opportunities for collaboration that can be realized.

Strategic alliances can be configured in different ways: some of them enable access to partners' technologies at low cost and in a short time frame, while not granting unlimited control over the technologies themselves; other forms of alliance, on the other hand, can provide a fair balance between cost-performance and control over the technology. Comparing the different types of alliances reveals that a joint venture is mostly preferred when the company aims at

gaining access to the partners' expertise. In this case, in fact, the partners share investment costs and control of activities and being linked by a long-term relationship, can count on the development of new skills, and access the partner's ones. If, on the other side, a company's priority is to access new technologies at lower costs than in-house development, then, they will likely turn to licensing-in. The licensing agreement, considered from the side of the delivering party (licensing-out), is beyond the exclusive control of the proprietary technology, but it still provides some supervision over its use through the restrictions in the licensing agreement. Collaboration by outsourcing, on the other hand, offers the advantage of quick access to another firm's experience and expertise, but at the same time implies a conscious relinquishment of exclusive control over the collaboration object. Outsourcing allows the firm to focus on the skills it possesses and on its "core" activities, in which it achieves better results in terms of profitability or value creation. This is because outsourced activities, although they involve lower costs than would be required to carry out the same activities in-house, offer few opportunities for the creation of new knowledge.

Finally, strategic alliances, which we will focus on in the following paragraph, represent a great opportunity to gain competitive advantage when expanding in an unexplored market.

3.2.1.1. STRATEGIC ALLIANCES

A strategic alliance is “*an agreement between firms to do business together in ways that go beyond normal company-to-company dealings but falls short of a merger or a full partnership.*” (Elmuti, Kathawala, 2001).

An alliance allows organizations to enter new markets in a much quicker and more efficient way, obstructing competitors, and generating higher revenues, while at the same time it reduces the manufacturing costs – since there is already an existing local company that can take care of it – and it helps each party to develop technologically by combining the two – or more – companies' expertise.

Some of the reasons behind the choice of using a strategic alliance to enter a new market are, according to Knoke and Todeva (2005), “*acquiring means of distribution, gaining access to new technology, and converging technology, obtaining economies of scale, achieving vertical integration, diversifying into new business, cost sharing and pooling of resources.*” (Knoke and Todeva, 2005), among others – (Figure 7) shows the entire list of reasons.

Additionally, according to the same study from Knoke and Todeva (2005), the variety of motives and drivers is enacted at four distinctive levels: organizational, economic, strategic, and political. *“While seeking partnerships, firms try to address internal organizational problems, they consider economic benefits, engage in strategic positions, or political maneuvering with governments and competitors.”* (Knoke and Todeva, 2005). All the reasons listed above to engage in a strategic alliance can be divided into 4 categories: (Figure 8) for a detailed explanation of the below list.

- i. ORGANIZATIONAL – Learning / Competence Building
- ii. ECONOMIC – Market, Cost, & Risk Related
- iii. STRATEGIC – Competition Shaping / Pre-emption / Product & Technology Related
- iv. POLITICAL – Market Development

However, there are also disadvantages in Strategic Alliance strategies. For example, in a cooperation agreement, both companies need to cede some control over to the other company on how their business is run and perceived. This means that there must be transparency and loyalty, which takes time to build up.

Furthermore, there might be a loss of credibility, in case one of the two (or more) involved parties lacks to fully commit to the agreement, creates unhappiness to the customers, or fails to provide its resources in an effective manner.

Another important aspect of a strategic alliance – especially the one analyzed in this research – is that the two companies involved are not only partners, but also competitors.

In fact, according to Knoke and Todeva (2005), business network formations are less driven by the companies’ retrospective economic rationalities, and more by their strategic intentions, which may vary when the companies involved are also competing with one another. When this occurs, we can call this phenomenon cooptation.

3.3. PROS AND CONS

The process of globalization has gradually thinned the barriers that inhibited relationships between enterprises from different continents. However, while the adoption of an open- source

philosophy is thought to yield concrete results and many potential benefits, gaining access to another firm's skills, resources, and expertise is not a risk-free strategy (Teece, 1986).

The limited rationality embedded in individuals does not allow them to know all alternatives and thus to arrive at the creation of complete contracts. Indeed, such contractual incompleteness, as well as the behavior of the counterparty dictated by opportunism, prevents a clear vision of the future relationship binding the entities. Moreover, the risk associated with the selection and control of partners cannot be overlooked in this context. In order to achieve the goal being collaborated on, it is not enough for the company to select the partner that best fits its needs in terms of resource compatibility, thus referring to the potential availability of resources that lend themselves to be integrated and combined effectively as part of the strategy for value creation. For automotive industries, strategic compatibility, i.e., the degree to which goals and business styles are aligned between partners, is imperative; these goals need not necessarily coincide, but it is necessary that they can be pursued without harming the partner and thus the purpose of the alliance itself. The incompatibility of goals exposes the parties to the collaboration to the risk of conflict, waste of resources, and loss of market opportunities (Das and Teng, 1999). As the number of collaborations in which the firm is entangled increases, management effectiveness and returns decrease, and the risk of generating losses looms if the size of the activated partnerships proves to be excessive due to monitoring costs. It is because of such circumstances that the automotive industry presents numerous evidence of failures characterizing alliances.

What has been pointed out throughout this section suggests that while innovation today increasingly constitutes a critical success factor for competition, at the same time it is a risky and economically challenging process. The consequence is the difficulty for automotive companies in achieving satisfactory returns relative to the development costs incurred.

IV. CHAPTER 4

4. TEACHING NOTES

4.1. INTRODUCTION

The case study presented above was conducted between February and June 2023, and it intends to showcase the strategic approach used by the originally British – German by acquisition – company, Alphabet International GmbH, to expand its business in a new market, more specifically, the Irish market, using a cooperation strategy approach. The study has the purpose of being taught in future classes to students, giving them access to the case as well as the literature review and the questions listed and answered below.

This teaching notes chapter is, instead, meant for teaching purposes only, and it presents a structure on how the case should be unfolded by the professor during class analyses and discussions.

As this study has been conducted in 2023, new ways of developing the same topic may arise in the years to come, and new information and literature might be released.

4.2. SYNOPSIS

Alphabet International GmbH is a leading provider of Business Mobility with a global presence thanks to its 14 direct markets and 19 partners around the world, adding up to a country coverage of 33 countries worldwide. Founded in 1997 as a division of the BMW Group, Alphabet has extensive knowledge of international fleet management and leasing. With its headquarters in Munich, Germany, where BMW was born, Alphabet position itself among the top 5 European leasing companies.

Its comprehensive portfolio includes funding and consulting as well as smart management products and services for company fleets.

Alphabet is also pioneering the creation of Advanced Mobility Solution¹, and its Business Mobility solutions are tailor-made to meet specific corporate solutions.

Over the years, Alphabet, thanks to its mother company BMW Group, has grown to become the most competitive leasing and fleet management company not owned by a bank.

¹ Advanced Mobility Solutions: AlphaElectric offers companies a holistic approach to E-Mobility; AlphaCity is the efficient Corporate CarSharing option, the mobility app for smartphones; AlphaGuide makes life easier for its users; AlphaFlex is the flexible solution that gives employees choices and companies full cost control.

As of today, its portfolio consists of over 700,000 vehicles on the road across its 33 countries of presence, and its goal is to continue expanding into new markets and reach higher targets following a path that will bring the company to a more sustainable tomorrow, given the incrementation of the demand from the customers to lease EVs.

The final target for Alphabet is to become fully sustainable, remove all the petrol vehicles from the road and replace them with fully BEVs.

4.3. TEACHING OBJECTIVES

The case study above presented gives to professors some material to discuss a variety of topics that are taught in the classroom, and that prepared me to the final result presented in this dissertation, by applying the theoretical knowledge of concepts covered in class to a real-life business organization.

When addressing a similar situation in the future, where they will need to address several topics such as internationalization of a company, the different approaches and methods of expansion, and the entire analysis of different business strategies to entering new markets from scratch, the students can apply different strategic frameworks and theoretical aspects analyzed in the resolution of this case.

This case will help students answer the following questions when it comes to international expansion in new markets:

1. *How is Alphabet positioned in the car leasing market? Industry positioning and targeting, an analysis of Porter's 5 Forces*
2. *What are the reasons behind Alphabet's decision to undertake an international expansion strategy?*
3. *Why has Alphabet decided to expand internationally through a strategic alliance?*
4. *What are the benefits that Alphabet gained from the collaboration with Mahony Fleet?*
5. *What are the barriers and risks that a company faces when deciding to undertake an international expansion through a collaborative relationship?*
6. *What are the future perspectives for the partnership between Alphabet and Mahony Fleet?*

4.4. ANALYSIS AND DISCUSSION

1. How is Alphabet positioned in the car leasing market? Industry positioning and targeting, an analysis of the Porter's 5 Forces

Alphabet's positioning and targeting can be defined and analyzed by using the Porter's 5 Forces Model (Figure 9), making a clear distinction between what helped and still helps the company to keep its positioning in such a challenging environment.

According to Porter (1989), it is the industry structure that drives competition and profitability, rather than what product/service the industry produces. He reinforces this argument by saying that even if a million factors can affect the industry profitability in the short run, the industry structure, manifested in the 5 competitive forces below, sets the industry profitability in the medium and long run. (Porter, 1989).

i. Threats of New Entrants:

The first of the 5 forces of Porter's Model highlight the threat of new competitors. The entry of direct competitors in a given industry can place a limit on profit potential. There are several factors that go into determining each competitor's competitive strategies:

- Concentration: refers to the number of firms operating in a certain industry.
- The Structure Diversity: the more similar the firms are to each other more competition will be based on price.
- Production Capacity: if there is excess production capacity, firms will tend to lower prices in order to out-compete competitors.
- Supply Differentiation: if the products offered by firms are similar, customers will tend to choose solely based on price; this obviously causes firms to lower the price further in the hope of increasing sales.
- Cost Structure: in relation to the ratio of variable costs to fixed costs.

The threat of new entrants into the fleet management industry is **low**. The reason is that the barriers to entry in the market for new brands are high, firstly because of the large amount of investments the establishment of a brand requires both in terms of distribution network and the marketing and advertising costs.

Another major barrier to entry into the industry is the high level of competition from the existing companies which have already established their customer base and can rely on a strong brand image and reputation. Therefore, the only chance to gain a significant share of the market for new brands depends on them bringing innovative and unique products into the market itself.

ii. Bargaining Power of Suppliers:

The second force of Porter's Model states that suppliers exercise their bargaining power and retain more of the value by charging higher prices, limiting the quality of services, or shifting costs to other actors who are part of the industry. If an industry, through misguided competitive strategies, is unable to react to rising costs with the prices of a particularly powerful supplier, its profitability can be wiped out.

The suppliers in the fleet management industry possess a **low** bargaining power since there is a large number of suppliers with the result that companies have no difficulty in switching from one to another.

iii. Bargaining Power of Buyers:

The third of the 5 Forces of Porter's Model states that powerful customers can also exert their bargaining power and capture more value by forcing down prices, demanding higher quality or better services, and generally leading players in an industry to fight against each other. Customer bargaining power is influenced by certain factors that can be the result of good competitive strategies, such as:

- Purchase Size: the larger the purchase volume of a given customer, the more bargaining power the customer has.
- Customer Concentration: if a company has few customers, their bargaining power will be greater.
- Possible Vertical Integration: if a customer chooses to produce a product by itself instead of buying it from another company, the company has lost a customer.

In the car leasing industry, the bargaining power of buyers is **moderately high** as the buyers, whether small or large, are in the position to ask for a reduction in prices since they can easily change their brand preference or transportation trends. However, the customers do not threaten backward integration, whether they are small individuals or a large corporation.

iv. Threat of Substitute Products or Services:

The fourth of the 5 forces of Porter's Model clarifies that a substitute product serves the same function as compared to a product in an industry, but it does so by using different means. A substitute service can pose a threat insofar as it challenges the industry product already acquired by a given buyer and as it imposes a price ceiling. If an industry does not deviate from alternatives through product performance, marketing, or other means, it will have problems at the level of profitability and, therefore, potential growth.

The goal of companies in the automotive/car leasing industry is to ensure people can commute with little or no challenges. In this context, the threat of substitutes is **low** because, despite the many alternative means of transportation, no one offers the kind of convenience and accessibility received by owning an automobile. For this reason, there are no effective alternatives that can substitute the current demand for the automobile transport system.

v. Rivalry Among Existing Competitors:

The fifth and last of the 5 forces in Porter's Model illustrates the rivalry between existing competitors. In the leasing world, the competitive rivalry is **high**, and it is strengthened by the small number of influential and recognized brands, offering similar products/services, and the increase of exit barriers – companies usually stay in the industry for a lifetime because they undergo huge losses if they decide to exit from it.

A high level of rivalry limits the profitability of an industry but can also have a positive outcome, when each competitor aims at serving the needs of different consumer segments by offering different mixes of price, products, services, features, or brand identity.

To succeed in this market, a company should implement an aggressive program to make their costs lower than those of the competitors or find ways of making their products more distinguishable from the others.

Using the Porter's 5 forces model is essential for companies such as Alphabet in order to have a clear understanding of where they are standing in their sector, what they can do better to improve, and how they can beat competition.

The analysis of 5 forces of Porter above shows the attractiveness and volatility of the fleet management industry, and it can be inferred that this industry is to be considered moderately attractive.

The fleet management industry is expected to become much more competitive in the future, given that many companies are trying to reduce as much as possible their CO₂ emissions by

2030, and therefore also leasing companies have to adapt to these needs and start making their way to become more sustainable and being able to satisfy customer needs related to EVs. This puts Alphabet in a position where it needs to continually improve to be able to face its bank-owned competitors.

Additionally, in the near future, new competition may come into the industry, bringing new innovations and technologies, and raising the level of competition. In order to maintain its stable position among already existing and potential new competitors, Alphabet has to maintain and improve its current portfolio share and brand image. Considering this scenario for the future, in which the competition will keep on increasing over time, Alphabet, as part of the BMW Group, can count on a solid brand identity and a high level of expertise in R&D, both supported by the mother company, along with years of experience in international operations, that will be the key factor to help the company remain highly competitive in the years to come.

2. *What are the reasons behind Alphabet's decision to undertake an international expansion strategy?*

Throughout this dissertation, Alphabet's evolution was explored in relation to its strategic decision to expand its business globally.

In order to analyze Alphabet's path in this direction, we started by investigating the company's starting position in terms of geographic coverage, including in relation to competitors, and then proceeded to highlight the reasons that led it to change its strategy toward internationalization.

To accomplish that purpose, internal interviews were conducted, which revealed that, although the company has developed many strengths, coming from innovations of the parent company BMW Group, its major weakness in the last years - specifically until 2017, was the lack of global footprint, which covered less than half of the markets in comparison with its main competitors.

The driving factor that prompted Alphabet to undertake the internationalization process and look into international prospects across countries should be found in the perceived threat that the company was losing customers in its already existing markets due to the lack of presence in certain areas.

Therefore, if a customer wanted to expand its agreement in a new country, with Alphabet not operating in that country, it would be a missed opportunity for the customer that decided to replace Alphabet with another supplier. Then, to be able to serve and secure its already existing customers, and make sure to be strong enough to win new ones, Alphabet International decided to change the strategy previously adopted and move to the cooperation strategy.

Based on this argument, Alphabet should have to achieve a global geographic footprint because of customer demand as part of the BMW Group and thus differentiate itself from competing FMCs. Another reason why Alphabet realized that it needed to expand its business on a global scale stemmed from the industry's supply chain analysis, which revealed the level to which competing firms were vertically integrated. In principle, a fully integrated company such as the BMW Group could supply the cars, the car management hardware, and the software that interfaces with that hardware. This software would be used both by the company to manage the fleet and by drivers to operate the vehicle or access other mobility solutions. Alphabet realized to have the potential to become the most integrated future mobility operation globally through strategic cooperation; it started using cars produced by its parent company, the BMW Group, and software provided by strategic alliances or built in-house.

3. *Why has Alphabet decided to expand internationally through a strategic alliance?*

As it has been pointed out throughout this paper, the initial internationalization strategy adopted by Alphabet was the M&A expansion strategy, meaning that they would acquire companies and expand as Alphabet own entity, which would have brought to the firm higher revenues, although it would have incurred higher costs as well. However, after the BMW Group decided to start focusing more on Electrification and Autonomous driving/mobility, Alphabet had to adapt its strategy, and investment in M&A was not a possible path to follow anymore. For this reason, in 2017, they embarked a 1-year-project-phase to redirect its efforts and completely change its strategy, adapting it to the needs of the parent company, and started to adopt the expansion through cooperation strategy, in which the company has been very successful since the beginning, given that they implemented 13 new cooperation partnerships by 2018.

The conclusion that a collaborative approach was the best method for Alphabet to enter the international market comes from the awareness that it benefits from greater synergies, global coordinated activity, and fulfilment of customer needs.

The objective is to achieve an efficient cooperation network steering that maximizes Alphabet Sales in core markets due to more successfully winning or penetrating international customers. However, in this perspective, we should consider that each cooperation, due to the different maturity of the partner company, can bring different dynamics into Alphabet. Consequently, creating partner specific requirements within cooperation management has been revealed as a key factor with impact on Alphabet competitiveness.

Based on this assumption, the decision to engage in a partnership with Mahony fleet comes from the high demand from customers to expand their business in Ireland, also considering the country's proximity to the United Kingdom, which means there was a good connection to a very important Alphabet market. Considering the potential growth of operational lease in Irish market, Alphabet decided that Mahony Fleet was the best possible option to establish a collaborative relationship in Ireland.

4. What are the benefits that Alphabet gained from the collaboration with Mahony Fleet?

After analyzing Alphabet's need to gain greater geographic coverage, and the process of change that led Alphabet to move from an M&A-based expansion strategy to a collaborative approach, contextualizing the choice of Mahony Fleet as a strategic partner, the focus was placed on the actual benefits resulting from these decisions.

In particular, the following benefits emerged:

- i. The main benefit of this approach is that not only Alphabet is not losing customers anymore, but having gained geographical coverage, it is now winning more customers.
- ii. The cooperation approach is a low investment approach; therefore, costs are lower, and risks are also lower.
- iii. It is a low-capacity approach, meaning that there is a hybrid approach, where the New Markets part of the team at Alphabet looks after the partner from a business/relationship-related perspective, and the rest of the Sales team that deals with the customers also look after the partner, but from a customer-related perspective.

5. *What are the barriers and risks that a company faces when deciding to undertake an international expansion through a collaborative relationship?*

On the other side, we must consider that undertaking a collaborative strategy with a partner, even more so if it is a competitor, is not a risk-free activity. For this reason, those that might represent obstacles to implementing this type of choice were investigated during the discussion with the Head of New Markets Marianna.

What has emerged is that the possible obstacles a company may face when deciding to embark on international expansion through a collaborative relationship are:

- i. As costs and risks are lower, profits are also limited, since the only profit comes from the referral fee that is paid by the partner for the lead. Everything else is a partner's gain (customers, profits, revenues, etc.).
- ii. The two parties are competitors, meaning that there are strict Chinese Walls² between the companies and they need to be careful with the information they share and exchange with one another.
- iii. The partner's market cannot be steered; this means that Alphabet cannot give them targets, but it can only try to be proactive and give the partner as much referral as possible.
- iv. A partner is not an own subsidiary; therefore, it has different strategies, goals, and ambitions.
- v. Might be complicated to convince the customers that they are going to get services as good from the partner.³

² Chinese Walls: Policies and procedures used to prevent the misuse of internal information by limiting the availability of materials, non-public information to firms that might misuse such information.

³ Alphabet certifies its partners every year through an assessment that ensure the best of service, and there is an escalation process to management positions in case something goes wrong.

6. *What are the future perspectives for the partnership between Alphabet and Mahony Fleet?*

Different elements need to be considered when evaluating the future challenges that could threaten the partnership between Alphabet and Mahony Fleet in the future, more specifically, there are 3 important factors to consider, as follows:

i. Market Dynamics:

This refers to how the industry as a whole develops over time. It is possible that, as the years go by, always more companies (competitors) get into the market, and they could bring innovation and technologies that may become crucial for the industry and potentially kill the competition. In this case, Alphabet and Mahony Fleet need to join forces and closely work to keep their resources always up to date, in order to provide their customers high-level services, but most importantly, a higher-level customer satisfaction.

ii. Market Consolidation:

A second important aspect to carefully consider is if and when two or more companies decide to merge. Market consolidation is strongly associated with M&A activities. The main difference of this approach is that the two companies merging together fully join forces, in terms of R&D, IT, financial resources, and so on; whereas in the case of a collaborative partnership, there are always Chinese Walls that limit the joining of forces between the partners. Therefore, although it might be more expensive and with a higher level of risk, a market consolidation approach gives the companies a higher power and could threaten the partnership between Alphabet and Mahony Fleet.

iii. Competitors Buying out Alphabet's Partner Mahony Fleet:

This scenario is not very common, but it could be a huge threat and needs to be considered as a realistic challenge for the future. For instance, if a competitor – e.g., ALD – decides to acquire Mahony Fleet when the partnership agreement with Alphabet is still in place, the company needs to communicate the new acquisition to Alphabet, and consequently, Alphabet needs to terminate the partnership agreement with Mahony Fleet, since it is not possible for Alphabet to cooperate with a direct competitor of the same size.

In conclusion, Alphabet cannot “marry” its partners forever, because there is always the risk of losing them, for the three reasons above analyzed. The car leasing and fleet management industry is a very volatile market and therefore things can completely change in a very short timeframe. Companies can always decide to merge and fully integrate and combine their resources to try and destroy competition, and lastly competitors with stronger financial power can decide, if they see a strong potential opportunity, to buy out Alphabet’s partner and immediately take AL out of the picture and that could make the firm lose huge customers and reduce its profits and revenues drastically.

However, an interesting evolution of the expansion strategy discussed in this study could be that Alphabet decides to take the partnership to the second level discussed in section 1.4.4. and allows Mahony Fleet to use its label. This elevation strategy could bring great benefits on both sides, and to the customers.

On the one hand, for Alphabet, the benefit would be both reputational and economic, since with this approach, the two partner companies would be seen as one entity.

By doing so, Alphabet can demonstrate to its customers that the partner has is strong and that the services offered by Mahony Fleet reflect the services offered by Alphabet, meaning high-quality services, and this would reduce the risks for Alphabet to have reputational damages.

In addition to the many benefits that would result from sharing know-how, technologies, and innovation costs, directing the two partners toward potentially maximizing internal growth.

On the other hand, if Mahony Fleet were to use the Alphabet label, bigger and more interesting opportunities on an international level may arise, making the partnership more valuable and giving a chance to Mahony Fleet to approach big international MNEs, rather than focusing only on local SMEs.

Lastly, also the customers will gain some benefits, which are, firstly, the perception and assurance that the partner is highly reliable; and secondly, the customer can receive the services from a network that has a harmonized look and feel, meaning that they could request the same services that they would request to any Alphabet market.

V. CHAPTER 5

1. CONCLUSION

To conclude, the key success factors in the fleet management industry are of different natures and fleet customers will, in the years to come, keep increasing their demand for more innovative mobility solutions. Therefore, it is fundamental for Alphabet to build a bigger network of global footprints and have the possibility to provide its top-notch services across different countries, with the same quality, simultaneously.

To achieve this goal, Alphabet has to implement its presence in all continents, using different strategies. This case study explained, from a theoretical point of view, the strategy of expansion adopted by Alphabet when it decided to expand its business in Ireland, through a cooperation approach with the local competitor Mahony Fleet. This study analyzes the reasons behind this decision, the different benefits gained from the partnership initiated, and the challenges faced.

Overall, we can infer that the strategy used by Alphabet in this specific cooperation agreement was a success, as it allowed the company to not only keep its current portfolio stable, but to grow it over time.

2. PERSONAL OPINION ON FUTURE EVOLUTION AND DEVELOPMENT

In my opinion, a potential evolution of the expansion strategy discussed in this study could be the decision from Alphabet to give permission to Mahony Fleet to use its label, integrating the partnership to a steadier level, which could bring potential benefits for both Alphabet and Mahony Fleet, but as well to the customers, that can gain a strong potential advantage if the elevation strategy is successful.

From an Alphabet point of view, the benefit would be both reputational and economic, since with this approach, the two partner companies would not be seen anymore as separated entities, but as one company. This means that by allowing Mahony Fleet to use the Alphabet brand, Alphabet is able to demonstrate to its customers that the partner has proven its values and can be guaranteed that the quality of the services offered reflect the value proposition of Alphabet, reducing the risks for Alphabet to have a reputational collapse.

This, however, would most certainly imply a higher cost of investment, but at the same time it would guarantee a higher return on investment as well.

From a Mahony Fleet perspective, using the Alphabet logo directly for showcase could open many bigger and more interesting opportunities on an international level. In that event, the

partner can truly start benefiting from this partnership on a broader scope and start thinking about approaching big international MNEs, rather than focusing only on local SMEs.

Lastly, also the customers will gain some benefits and advantages from the evolution of this partnership, which are, firstly, the perception and assurance that the partner is highly trustworthy and reliable to work with; and secondly, the customer can receive the services from a network that has a harmonized look and feel, meaning that they could request the same services that they would request to any Alphabet market.

To conclude, even if this integration should not take place, what emerges from what has been described throughout the paper is that collaborative strategies being employed in international expansion perspective is a rapidly accelerating strategy which can only be expected to consolidate and evolve positively for the entire fleet management market.

3. LIMITATIONS

In conclusion, it is important to mention that there are also some limitations to this type of strategic approach, and its potential future evolution and development. For instance, a partnership, independently from the type of relationship existent among the parties, will remain a competition in the end, and therefore, Alphabet will never have the full control of Mahony Fleet, in a way that it cannot steer the market and give its partner any guideline on strategic approaches, types of offerings, and pricing proposals.

Then, this case covered the general structure of an expansion strategy through cooperation, but with a focus on a specific partnership, therefore, the same cannot be said to other approaches to different countries – at least not to the same extent – given that every country and every new partnership might have the same backbone, but the individual goals and targets of the partnership differ from one to the other.

Lastly, having developed this case study using only limited information, as I was not allowed to share any internal source of information, I could only limit my research to the information that I received from the interviews I conducted internally mainly with the Head of New Markets, Marianna Michaloudaki, but also with some other employees, which gave me insightful information, but if I would have gotten access to the internal database and sources, the study could have been more practical and less theoretical.

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