

Managing Strategic Alliances

Technion MBA Course

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SYLLABUS

COURSE BACKGROUND:

Business strategy deals with the formulation and implementation of strategic decisions that are designed to establish and sustain a firm's advantage in an industry. In recent years, firms have been developing cooperative inter-organizational relationships with other firms as part of their overall strategies. This has come as a response to a variety of environmental developments such as globalization of markets, rapid shifts in technologies, digital transformation, and shortened product life cycles. The concept of "competition" is being complemented by "cooperation", reflecting the breaking down of boundaries across firms and industries, and the emergence of ecosystems and platforms. Modern firms in the digital era are interconnected in the sense that they are embedded in networks of alliances with other firms. This raises the question of how firms should develop and manage their alliance portfolios to create and capture value. Traditional frameworks for devising and implementing competitive strategy may be insufficient for supporting the firm's cooperative strategy. The traditional notion of competitive advantage must be extended to include also collaborative advantage which emerges from firms' alliances with its partners.

This course is designed to expose students to fundamental and advanced topics in cooperative strategy and enable them to analyze business situations from the point of view of the practicing general manager. General managers are responsible for making strategic decisions that ensure the long-term success of the entire firm or a major division. Their key tasks involve identifying opportunities and threats in the environment, and responding with competitive and cooperative strategies. Hence, this course will enable students to analyze business situations involving collaborative relationships among firms. The management of a firm's alliance portfolio is of concern to general managers as well as to business unit managers, dedicated alliance managers, and project managers who are responsible for forming, managing, and maintaining the firm's alliances with partners. The management of strategic alliances can impact the long-term success of the entire firm or a major division. Therefore, managers must identify the internal drivers and opportunities for forming alliances. They need to identify suitable partners, and then plan how their alliances will create value and how such value will be distributed between the parties involved in the alliance. Whereas most alliances enable firms to pursue shared objectives, in some cases, firms ally with their competitors, in which case, special attention should be paid to issues such as learning and protection of proprietary assets. In addition to considering content issues, this course will also cover process aspects of managing alliances, considering how managers should negotiate alliance agreements and govern alliances. Finally, the course will consider the broader implications of managing alliance portfolios, studying how managers develop alliance management capabilities, and how they coordinate interdependencies across alliances in the firm's portfolio.

To be effective, managers need to have an in-depth understanding of the generic problems in relevant functional areas such as marketing, finance, R&D, and production. Therefore, in this course, we will integrate the knowledge and skills developed in prior courses such as economics and organizational behavior or marketing. However, this does not mean that general managers can only be “generalists” who know a little bit of everything, but not very much of any one thing. General managers need more than functional knowledge, they must also be able to deal with problems and issues confronting the firm and its relationships with its external environment. Therefore, students are expected to combine knowledge from other courses with the new perspectives presented in this course in order to analyze and resolve actual business problems. In particular, through the assigned cases, this course will highlight applications of cooperative strategy in the context of major corporations in various industries.

COURSE OBJECTIVES:

This course is intended primarily for students who envision themselves occupying managerial positions in business organizations, especially in the high-tech sector. Such positions are not limited to general management but rather include a variety of non-executive positions that entail managerial decisions and actions that have strategic implications. Therefore, it is increasingly important for many managers to acquire relevant skills needed to understand how their actions may affect the firms that employ them. Functional specialists will also benefit from developing a general management perspective, since ultimately, every function’s activities must be coordinated with the overall needs of the firm. Functional specialists are also responsible for implementing the firm’s cooperative strategy, and thus need to develop a keen awareness and appreciation of the challenges facing the firm. Further, many managerial positions in firms now require employee involvement in joint task groups and cooperative projects. This course will help augment skills in understanding and managing cross-boundary situations. It will enable students to better understand the corporate environment in the digital era as well as the implications of relying on strategic alliances. It will examine how strategic alliances can be structured, and how managers can deal with potential problems and complications in managing these alliances. The course will incorporate conceptual readings, recent research findings, as well as cases of actual firms that operate in the high-tech sector or digital marketplace, to ensure an up-to-date perspective on the topic. The specific objectives of this course include:

1. Development and reinforcement of a strategic management point of view – the capacity to view the firm from an overall perspective, in the context of its environment.
2. Development of an understanding of fundamental concepts in cooperative strategy, such as alliance formation, partner selection, and value creation and capture in alliances.
3. Development of an understanding of the inner workings of complex organizations – allowing students to better understand their work environment.
4. Development of an understanding of the organizational and environmental factors impacting alliance success.
5. Learning to distinguish between basic causes of business problems and attendant symptoms.
6. Practice in working out cooperative strategies and implementation plans.
7. Development of habits of orderly, analytical thinking and skill in reporting conclusions effectively in both written and oral form.
8. Familiarity with some of the practical realities of running different types of businesses.

COURSE CONTENT AND SCOPE:

This course on managing alliances covers fundamental topics in cooperative strategy. The study of cooperative strategy can be distinguished from the study of corporate strategy, which deals with the means by which multi-business firms maximize shareholder value through domestic and global

expansion, diversification, engagement in mergers and acquisitions and strategic alliances. The study of cooperative strategy can also be distinguished from the study of competitive strategy that deals with the competitiveness of individual businesses, specifying the methods by which firms compete, gain, and sustain competitive advantage in particular industries. From a corporate strategy standpoint, alliances can serve as a vehicle for carrying out certain corporate strategies. Cooperative strategy, instead, broadens and extends this perspective to consider alliances as a vehicle for value creation that can complement and perhaps even substitute competitive strategies. In addition, cooperative strategy highlights unique aspects of alliance management. Topics in competitive and corporate strategy are not covered in this course.

TEACHING METHODS:

The course will follow the conventional case teaching method used in leading business schools. The course will offer a tight integration of theoretical readings and case studies that will be used in class discussion to illustrate the conceptual material and analyze business situations accordingly. Typically, a short frontal presentation by the instructor will summarize and emphasize key aspects of the theoretical readings. A structured discussion of the assigned case will follow. Students will be expected to master the theoretical readings and the details of the assigned cases to enable an effective discussion in class. Each session will end with concluding remarks by the instructor.

TEACHING MATERIALS AND READINGS:

There is no textbook assigned to this course, but a collection of readings, including articles, book chapters, and case studies, provided on the course webpage. Occasionally, complementary materials may be used in class. See course plan for listed readings.

STUDENT ASSESSMENT:

Attendance at all class sessions is mandatory. Students are allowed to miss only one session during the course. In case a student has to miss another class session for unforeseen reasons, s/he will have to submit an additional case analysis as an individual assignment and the participation score may suffer.

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| 1. Class participation and quizzes | 30% |
| 2. Three group written case analyses | 60% |
| 3. In-class final group case analysis presentation | 10% |

COURSE ASSIGNMENTS:

- 1. Class participation and quizzes - 30% of grade**
- 2. Three group written case analyses - 60% of grade**
- 3. In-class final group case analysis presentation - 10% of grade**

- 1. Class participation and quizzes.** In this class, where discussion is central to the learning process, it is your responsibility to be thoroughly prepared to discuss each case. A critical component of the course is spirited, informed discussion. Toward this end, you have two responsibilities, one private and one public. On the private dimension, you should familiarize yourself with the assigned material, taking care to prepare thoroughly, and to develop informed individual responses to the material. This private preparation enables you to successfully contribute to the class. On the public dimension, these ideas must be brought forward as a basis for rich classroom discussion on case analysis days. The class can then explore these ideas further in active analysis. Please keep in mind that the only measurable output of your preparation is the public dimension. Airtime is a scarce resource so please use it wisely. Case facts and relevant organizational experiences add value. Excellent participation incorporates the lessons from

assigned theoretical readings that accompany the case. Try to figure out the connection between the theoretical concepts and the case prior to class. Comments based solely on "gut reaction" generally do not add much value.

Focus questions are given with the daily assignments. At a minimum, refer to these questions as you prepare for each case discussion (even in sessions in which no written case analyses are submitted). In addition to those specific questions, one should strive to understand the underlying themes that explain the different problems and opportunities facing management, how and why the firm and/or the manager has or has not prospered, the nature of the internal organization and the external environment and their expected impacts on the firm. These insights should figure prominently in your analysis and recommendations. The discussion in class will not be limited to the focus questions. It will cover the aforementioned themes and will require application of theoretical concepts in the case analysis.

In class, as well as in more general business situations, there is more than one possible solution to a problem, and there may be no obvious answer to a question. Therefore, the quality of your comments depends on your capacity to communicate them and convince the class about their merits. Some of the behaviors that contribute to effective class participation are captured in the questions that follow. These questions will also guide me in evaluating your participation in class:

1. Is the participant a good listener?
2. Are the points that are made relevant? Are they linked to the comments of others?
3. Do the comments add to our understanding of the situation?
4. Do the comments show evidence of analysis of the case?
5. Does the participant distinguish among facts, opinions, beliefs, and concepts?
6. Is there a willingness to share?
7. Is there a willingness to test new ideas, or comments mainly repeat case facts without analysis or a comment already made by a colleague?
8. Is the participant willing to interact with other class members?
9. Do comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being covered?
10. Does the student ask questions or only responds to others' questions?

The participation grade will also be based on quizzes that may be administered at the beginning of class. There will be 1-2 quizzes with each including a short question, covering material from the readings assigned to the class in question.

Since this is a discussion-based course, I consider attendance in every class to be very important. If you miss a class due to a justified but unforeseen event, it is your responsibility to find out from your classmates what material was covered, and what additional assignments or handouts you may have missed.

- 2. Three written case analyses.** Case analyses are submitted in groups. You will team up in groups to work on three case analyses. Each group will include four (4) students who will submit the five written case analyses assigned to sessions 2-5. The group assignments will be determined by the first session. Each case analysis will include answers to three (3) questions from the list of focus questions assigned to the next session. The analysis should not exceed three (3) double-spaced typewritten pages, (with 1" margins and 12-point font). Answers should demonstrate

correct use of the theoretical concepts and relevant analytic frameworks as well as provide convincing arguments supported by case data. You may discuss the case with other colleagues prior to class, but your answers should be based on your own analysis and reflect your original, individual, and independent thinking. You should not copy answers provided by other groups or posted online. The assignment to groups is not designed to divide labor between students but to benefit from brainstorming and discussion of the case as a way of better preparing for class discussion. The evaluation of your contribution to class discussion is on an individual basis. In answering the focus questions, consider the following criteria:

1. How thoroughly and concisely do you describe the environmental context and internal factors that are important to the problem?
2. How accurate and thorough is your use of course concepts?
3. How well do you integrate course concepts with case information?
4. How well are your arguments supported by case evidence and proper analysis?
5. How consistent are your recommendations with your analysis?
6. How feasible and specific are your recommendations?
7. How clear and well-written are your answers?

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A submission should include student names, student id numbers, case title, and date. All the written case analyses are due as a Word File submitted online before 4PM on the day of the class session in which they are discussed. The filename of the submission should consist of your group number and session number (Group#Session#). Late submissions will not be accepted.

3. **Final Group Case Analysis.** In the last session of the course, in lieu of an exam, students will engage in an in-class case analysis. A short case will be distributed few days before the session. The students will also view a short video in the beginning of the session. They will then work in groups to solve the case, which will cover most of the issues discussed in the course. At the end of the analysis, each group will present its analysis in class. The students will receive feedback and their presentation will be graded.

COURSE PLAN

July 14: Session 1. Introduction and Motivation for Alliance Formation

- a. Reading: Bamford, J. D., Gomes-Casseres, B., & Robinson, M. S., (2003) "Mastering Alliance Strategy," Introduction: What is Alliance Strategy?, pp. 1-13
- b. Reading: Earnst, D. (2003). "Chapter 1: Envisioning Collaboration" in: Bamford, Gomes-Casseres, & Robinson, M. S. (eds.), Mastering Alliance Strategy, pp. 19-28
- c. Case: The Alphexo-Betonn Joint-Venture Deal – to be distributed a week before class. You will be assigned to either the Alphexo or Betonn team. Carefully read the case and be ready for the Joint-Venture negotiation. Do not discuss the case with your classmates before class.

July 21: Session 2. Selecting the Right Partner

- a. Reading: Child, J. Faulkner, D. & Tallman, S. (2005) "Cooperative Strategy", Chapter 6 – Partner and Form Selection, pp. 96-107
- b. Case: IBM and Linux
- c. Focus questions:
 1. Why is an alliance with the Linux development community potentially attractive to IBM? What could IBM accomplish in conjunction with the community that it could not on its own?
 2. What can IBM offer that would be attractive to the Linux development community?
 3. What are the risks of collaborating with this community from IBM's standpoint? What are the risks from the Linux community's standpoint? What barriers stand in the way of a successful alliance?
 4. What are the different options IBM could take? How is the community likely to react? If you are Dan Frye, how do you approach this community? Recommend a strategy and action plan.

July 28: Session 3. Creating and Capturing Value from Alliances

- a. Reading: Tang, B-S. (2003) "Collaborative Advantage of Strategic Alliances: Value Creation in the Value Net", Journal of General Management, 29(2), pp. 1-10, 18.
- b. Recommended reading: Lavie, D. (2007) "The Competitive Advantage of Interconnected Firms" in the Handbook of 21st Century Management.
- c. Case: Millennium Pharmaceuticals, Inc. (A)
- d. Focus questions:
 1. How has the biotechnology industry changed over the last few years? How has Millennium competed since it was founded in 1993? How has it managed its rapid growth?
 2. How would you characterize the Millennium model (technology, strategy, organization, and culture)?
 3. What has been Millennium's cooperative strategy? How has it differed from other biotechnology firms? How could Millennium do this?
 4. As CEO Marc Levin, would you pursue the Lundberg alliance? Why or why not?

August 4: Session 4. Collaborating with Competitors

- a. Reading: Hamel, G., Doz, Y. L., & Prahalad, C.K. (1989) "Collaborate with Your Competitors – and Win," Harvard Business Review, 67 : 133-139
- b. Case: Todovino: Can Your Rival be Your Friend?
- e. Focus questions:
 1. What types of alliances did Todovino operate before it was approached by La Carte des Vins? How did these alliances create value to Todovino?
 2. How is the proposed alliance with La Carte des Vins different from Todovino's other alliances? How does it fit in its alliance portfolio, and how is it expected to create value to Todovino?
 3. What are the pros and cons from the perspectives of both Todovino and La Carte des Vins for entering an alliance with each other?
 4. How would you structure the alliance agreement between Todovino and La Carte des Vins in order to enhance value, secure the interests of the parties, and restrict the expected risks?

August 11: Session 5. Negotiating and Governing Alliances

- a. Reading: Weiss, J. & Visoni, L. J. (2003). "Chapter 9 - Relationship management", in: Bamford, J. D., Gomes-Casseres, B., & Robinson, M. S. (eds.), Mastering Alliance Strategy, pp. 119-132.
- b. Recommended reading: Arino, A. & Reuer, J. J. (2004) "Designing and Renegotiating Strategic Alliance Contracts", Academy of Management Executive, 18(3), pp. 37-45
- c. Case: The HP – Cisco Alliance (A)
- d. Focus questions:
 1. What are the managerial challenges facing Jim Heal and Mike Thomas? What are the possible frictions and threats to the HP-Cisco alliance?
 2. What are Heal's and Thomas's bases of power? What influence tactics are available to them?
 3. If you were Steinhilber or Russell, what kinds of structural changes would you pursue to enable your alliance organization to function effectively?
 4. If you were appointed to an alliance manager position at HP or Cisco, what would your action plan be? How would you instill trust and get folks at your company excited about the alliance? How would you prioritize your actions?

August 18: Session 6. Course Wrap-up and In-Class Case Analysis

- a. Reading: Short case to be assigned prior to class.
- b. Case: In this session, students will work in groups on a real-life case based on the material learned throughout the course. The students will present their analysis in class.

August 25: Session 7. The Cooperative Economy

- a. Reading: Lavie, D. (2022). The Cooperative Economy - Introduction.
- b. Discussion: In this session, I will present the ideas behind my forthcoming book and will engage in discussion with the class about these ideas and their implementation. The book applies the notion of cooperation at the society level in an effort to find a solution to societal grand challenges and offer an alternative to the modern economic system.