

Brandeis University
International Business School

BUS 262f
Alliance Strategy

Course Syllabus

Version 2

Spring 2006

Ben Gomes-Casseres
Professor of International Business

Course Outline

MAS stands for *Mastering Alliance Strategy*, by Bamford, Gomes-Casseres, and Robinson. Other readings in case packet, available online from HBS Publishing (instructions in first class).

Items in italics are available on the Business Source Premier database offered by Brandeis Library or on my website.

<u>Date</u>	<u>Topic</u>	<u>Readings (assignments in syllabus)</u>
I. Framework: Alliances Between Organizations and Markets		
1	Introduction	<ul style="list-style-type: none"> • MAS, Introduction and Ch. 1.
2	Alliances and Competition	<ul style="list-style-type: none"> • “<i>Collaborative Advantage: The Art of Alliances</i>,” Kanter • “<i>Constellation Strategy: Managing Alliance Groups</i>,” Gomes-Casseres • “<i>Competitive Advantage in Alliance Constellations</i>,” Gomes-Casseres
II. Alliance Design and Management		
3	Alliance Design	<ul style="list-style-type: none"> • “BellSouth Enterprises,” HBS case • MAS, Chs. 10 and 12.
4	Alliance Management	<ul style="list-style-type: none"> • “Xerox and Fuji Xerox,” HBS case • MAS, Chs. 9 and 14. • “<i>Joint Ventures with Japan Give Away Our Future</i>,” Reich, Mankin
5	Alliance Negotiation	<ul style="list-style-type: none"> • “Honda-Rover,” HBS case • MAS, Chs. 7-8. • <i>Is Your Strategic Alliance Really a Sale?</i>, Bleeke and Ernst
III. Competing in Alliance Constellations		
6	Alliance Constellations	<ul style="list-style-type: none"> • “Strategic Deal-making at Millennium Pharmaceuticals,” HBS case • “<i>Organizing for Innovation: When is Virtual Virtuous?</i>” Chesbrough, Teece • MAS, Ch. 31.

- **Paper outline due**
- 7 Alliance Management: A View From Consulting
 - *Visit of Jeff Weiss, Vantage Partners*
- 8 Constellation Strategy and Management
 - “*Star Alliance, 2000*,” IBS case
 - MAS, Chs. 18, 20 and 19 (in that order).
- 9 Collective Competition
 - “Mips Computer Systems (A),” HBS case
 - Re-read: “*Competitive Advantage in Alliance Constellations*,” *Gomes-Casseres*

IV. Competition and Cooperation

- 10 Co-opetition in Complements
 - “Wintel (A),” HBS case
 - MAS, Ch. 6.
 - “*Collaborate with your Competitors—and Win*,” *Hamel, Doz, Prahalad*
- 11 Co-opetition in Vertical Chain
 - “*Boston Scientific and Medinol (A)*,” IBS case, to be distributed in class

V. Conclusions

- 12 Open
- 13 Open
- 14 Synthesis and closing
- 3/20 ***Final papers due in Lemberg 258 or by email, by 12 noon***

Course Description

Motivation Cooperative business ventures have been increasing in numbers for some time; they are known by many names--joint ventures, partnerships, strategic alliances, consortia, coalitions. Everywhere, firms are joining forces to do what they could not do as well alone. The art of collaboration has become central to competitive strategy in many global industries. As a consequence, managers and government officials need to rethink how they conduct business and set economic policy, and we need to look upon modern corporation and competition in a different light.

Content To understand this revolution in global business, we will examine what alliances are, why companies use them, how they are designed and managed, and what effects the spread of cooperation has had on competition. We will use case studies and conceptual readings to develop a framework for understanding and managing alliances. This is not a course in technical economics or in finance; instead, it deals with issues of strategy and general management; we will assume that students have a grounding in business strategy. Among the topics covered are:

- The role of alliances in competitive strategy
- Designing alliances, including choice of partner and of structure
- Managing alliances over their lifetime
- Competing in multi-firm "constellations" and networks
- Organizational challenges of managing constellations of allies

The workload will be heavy. Required readings will consist of HBS cases, articles from HBR and elsewhere, and chapters from Bamford, Gomes-Casseres, and Robinson, *Mastering Alliance Strategy: A Comprehensive Guide to Design, Management and Organization*, available in the bookstore. The case packet will be available for purchase online; further information will be given in the first class.

Relationship to other courses There are no formal prerequisites for this course, but it is assumed that students have a background in micro-economics, business strategy, and have the ability to analyze financial statements. *Competition and Strategy* (BUS 260a) is an excellent foundation for this course and may be taken concurrently; students who have not taken that course might want to review the textbook. Other courses that are fitting complements are *Organizations and Management* (BUS 225a), *Managing International Business* (BUS 270a), and *Consulting Approaches* (BUS 264f). The full syllabus and other course information will be given in the first class.

Study Assignments

I. Framework: Competition, Organizations, and Alliances

Wed 1/18

Introduction: Scope and Definitions

Required Reading:

- MAS, Introduction and Ch. 1.

Mon 1/23

Alliances and Competition: Framework

Required reading:

- “Collaborative Advantage: The Art of Alliances,” Kanter in *HBR*
- “Constellation Strategy: Managing Alliance Groups,” Gomes-Casseres in *Ivey*
- “Competitive Advantage in Alliance Constellations,” Gomes-Casseres in *Org Strategy*
- MAS, Introduction and Ch. 1, if you didn’t read them last week.

Study questions:

1. How does managing an alliance differ from managing (1) a simple vendor and (2) a business unit inside the firm?
2. What may be common reasons for “incompleteness” in contracting in alliances that you have seen? (This concept is mentioned in MAS Introduction and in the definition of alliance in my papers. We will have discussed it in class on the first day.)
3. Identify a few “constellations” that you have read about or seen in your experience.

II. Alliance Design and Management

Wed 1/25

Alliance Design

Required Reading:

- “BellSouth Enterprises: The Cellular Billing Project,” in HBS case packet.
- MAS, Chs. 10 and 12.

Study Questions:

1. Evaluate the process by which BellSouth selected its partner and structure for this alliance.
2. Evaluate the terms of the agreement struck by the partners (Exhibit 6).
3. What are the most urgent management problems of this alliance and why are they occurring now? How might they have been avoided?

Mon 1/30

Alliance management

Required Reading:

- “Xerox and Fuji Xerox,” in HBS case packet.
- MAS, Chs. 9 and 14.
- “Joint Ventures with Japan Give Away Our Future,” Reich and Mankin in *HBR*

Study Questions:

1. What role has Fuji Xerox played in Xerox's global strategy?
2. What were the key success factors in this alliance in the past? What are likely to be the keys to success in the future?
3. Focus on one of the issues raised at the end of the case: How should Xerox and Fuji Xerox manage the low-end laser-printer business?
4. What conclusions do you draw about alliance management?

Wed 2/1

Alliance Negotiation

Required readings:

- “Honda-Rover (A): Crafting an Alliance,” in HBS case packet.
- MAS, Ch. 8.
- “Is Your Strategic Alliance Really a Sale?” Bleeke and Ernst in *HBR*

Study questions:

1. Evaluate the substantive negotiations leading to the formation and early evolution of the Honda-Rover alliance.

2. How would you characterize the social relationships between the parties? What steps did each side take to build these relationships?
3. Evaluate BMW's negotiating strategy.
4. What effect, if any, did national or company cultures have on these processes?
5. Why did this alliance end the way it did?

Note: Outline of your final paper is due in next class.

III. Competing in Alliance Constellations

Mon 2/6

Alliance Constellations

Please hand in a 1-2 page outline of your proposed paper topic, stating the company or alliances you will examine and the main questions you are seeking to address.

Required readings:

- "Strategic Deal-making at Millennium Pharmaceuticals," in HBS case packet.
- "Organizing for Innovation: When is Virtual Virtuous?" Chesbrough and Teece in *HBR*
- MAS, Ch. 31.

Study questions:

1. Evaluate Millennium's alliance strategy. Does it make sense? What are the benefits and risks?
2. Compare the various alliances that Millennium created over time. Is there a pattern? Is there a progression? Do the alliances fit together?
3. Where does Millennium fit in the matrix presented by Chesbrough and Teece?
4. Evaluate Lilly's alliance management system (MAS, Ch. 31). What does it try to do?

Wed 2/8

Alliance Management: A View from Consulting

Visit of Jeff Weiss, Vantage Partners

Weiss is a founding partner at Vantage Partners, a consulting firm specializing in helping firms manage their alliances and negotiations, and build organizational capabilities in these areas. In an

interactive session, he will share his perspective from the front-lines of the alliance field. Please come prepared with good questions!

Required reading:

- MAS, Ch. 9, which was co-written by Weiss.
- Visit and browse the website of his company: <http://www.vantagepartners.com/>

Mon 2/13

Constellation Strategy and Management

Required reading:

- “Star Alliance, 2000” IBS case, available on www.alliancestrategy.com.
- MAS, Chs. 18, 20 and 19 (best read in that order)

Study questions:

1. Why have alliances proliferated in the global airline industry?
2. How do airline alliances manage cooperation and competition?
3. What forces determine the gains that any given member of the Star Alliance receives from the alliance?

Wed 2/15

Collective Competition

Required readings:

- “Mips Computer Systems (A),” HBS case
- *Re-read:* “Competitive Advantage in Alliance Constellations,” Gomes-Casseres

Study questions:

1. Mips had many alliances. Try to group them and identify the most important types of alliances in the Mips network. What was the rationale behind each of these sets of alliances?
2. Stepping back from the individual alliances, what was the logic of the total network of alliances? Did it create synergy or chaos?

3. When several competitors develop alliance networks, as the RISC players have done, what drives competition among them? What appear to be the chief design variables or success factors in these alliance groupings?
4. What might determine the profitability of firms involved in group-based competition, as Mips was?

Spring Break

IV. Competition and Cooperation

Mon 2/27

Co-opetition in Complements

Required readings:

- “Wintel (A),” HBS case packet.
- MAS, Ch. 6.
- “Collaborate with your Competitors—and Win,” Hamel, Doz, and Prahalad in *HBR*

Study questions:

1. What are the key drivers of Intel’s business model? What are the key drivers of Microsoft’s business model?
2. Given these drivers, in what areas should you expect conflict? Cooperation?
3. If you are Andy Grove making a decision on NSP, what would you do? Should he give in to Bill Gates?
4. As Andy Grove, how do you believe Bill Gates will react to what you want to do? Will Gates give in to Grove?

Wed 3/1

Co-opetition in Vertical Chain

Required readings:

- “Boston Scientific and Medisense,” IBS case, to be distributed in class

Study questions:

- To be distributed in class

IV. Conclusions

Mon 3/6

Open

Required readings: To be announced.

Mon 3/8

Open

Required readings: To be announced.

Wed 3/13

Synthesis and closing

Assignment:

Imagine that you were hired as a consultant to give an executive education seminar at a large, diversified U.S.-based firm to train new staff in the company's new "Department of Strategic Alliances." **What key lessons will you teach them?** Note that they do not have the patience or the inclination to sit through any lectures about "academic" frameworks and theories. You need to interpret and synthesize these concepts for them and present them with practical conclusions, not "the literature." They also value real-world examples to illustrate your lessons.

Monday, 3/20

Final paper due

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This syllabus was last updated on: January 10, 2006 by BGC.

Excerpted for website on July 28, 2006 by BGC.