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15.369 Corporate Entrepreneurship: Strategies for Technology-Based New Business Development
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Strategic Alliances, Joint Ventures, Acquisitions

Alliances

Two or more companies pooling complementary resources to achieve common goals in an arrangement that is less than full merger or acquisition

Joint Ventures

Two or more firms pooling a portion of their resources within a common legal organization

Key elements are:

- Joint (but not necessarily equal) ownership

- Mutual contribution

Types of Alliances

- Involving two or more large corporations
- Between large and small companies
- Between industry and universities
- Even between industry and government

Alliance Issues

- Alliance partners need to be somewhat different, but not too different
- “Diversity” provides a potential basis for complementarity
- But high diversity provides barriers to communication, knowledge transfer
- The principles of the “Familiarity Matrix” apply

Alliance Obstacles

- “Impedance mismatch” -- cultural differences
- Misjudging resource and organizational synergy
- Different levels of commitment
- Changing strategic objectives
- Loss of autonomy
- ***Failure of “front end design”***

Complicated by usual “under-governance” of alliance structures; less often true in formal joint ventures

Impedences

- Entrepreneurial spirit vs. methodical management
 - risk assessment
 - sensitivity to crisis
- Time frame for decision-making
- Management compensation and rewards
- Long-term strategies
- ***Us vs. them***

Key Issues

- Overestimating large company's sales/distribution capability
- Overestimating small company's technological leadership
- Inadequate internal structures and incentives for cooperation
- People problems, including power struggles and power vacuums

Potential Issues for JVs

- Antitrust problems
- Sovereignty conflicts
- Loss of autonomy and control
- Loss of competitive advantage due to strategic inflexibility
- Inabilities to manage JVs effectively

Special problems arise from dissimilar capacities to meet later financial requirements

JV Success Issues

- Success means different things to participating partners, and is usually composed of a combination of factors, rather than a single measurement. Therefore, it's often impossible to create a single jointly acceptable objective measure of success for the JV as a whole.
- Measures of success and rewards for JV managers?