Lecture 8: STRATEGIC ALLIANCE

CS6215 / IT 6215

MANAGEMENT OF TECHNOLOGY AND INNOVATION (MTI)

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OBJECTIVE

- Define Strategic Alliances
- Forms of Strategic Alliances
  - Licensing
  - Supplier relation
  - Outsourcing
  - Joint Venture
  - Collaboration (Non-Joint Venture)
  - R&D consortia
  - industry clusters
  - Innovation Network

STRATEGIC ALLIANCES

- **Strategic Alliances:** cooperative agreements between two or more companies to work together and share resources to achieve a common business objective, **Each company maintain its autonomy while gaining a new opportunity.**
- A global strategic alliance is an agreement among two or more independent firm to co-operate for the purpose of achieving common goal such as a competitive advantage or customer value creation **while remaining independent**
- Strategic alliances provide access to resources that are greater than any single firm could buy.

MOTIVES FOR ALLIANCES

- You can’t do everything
- Adding value to product
- Improve market access
- Strengthening operations
- Adding technological strength
- Enhancing strategic growth
- Building finance strength
- New market entry

FORM OF ALLIANCE

1. Licensing
2. Supplier relation
3. Outsourcing
4. Joint venture
5. Collaboration (Non joint venture)
6. R&D consortia
7. industry clusters
8. Innovation network

1. LICENSING

This involves to one company allowing another to use its intellectual property, such as patent, trademarks or technology in exchange for a fee or loyalty

Example: a tech company licensing its software to other businesses.

Advantages:

- Speed of entry to different technologies
- reduced cost of technology development

1. LICENSING cont…

Key Features

1. Intellectual property: i.e trademarks, patents, copyrights, technology, software or business processes.
2. Ownership retained
3. Defined scope
4. Compensation
5. Legal agreement

2. SUPPLIER RELATION

A long-term partnership between a company and its suppliers to ensure a stable supply chain and mutual growth.

Example: An automotive manufacturer forming an alliance with a parts supplier to ensure consistent quality and supply.

Advantages:

- Improve efficiency.
- Cost saving
- Access to innovation
- Reliability
- Sustainability

Disadvantage

Misaligned objective, dependence on supplies, cultural difference

3. OUTSOURCING

Refers to the delegation of non-core operations from internal provision

or production to an external entity specializing in the management of that operation.

It involve Hiring an external organization to handle specific business functions or services that could be done internally

Example: A company outsourcing its customer service operations to a specialized firm

4. JOINT VENTURE

A joint venture usually is a separate legal entity with the partners to the alliance normally being equity shareholders. With a joint venture, the costs and possible benefits from an R&D research project would be shared. Usually, they are established for a specific project and will case on its completion.

Two or more companies create a new entity together, sharing resources, risks, and profits.

5. COLLABORATION (NON-JOINT VENTURE)

The absence of a legal entity means that such arrangements tend to be more flexible. This provides the opportunity to extend the cooperation over time,

Partners work together on a specific project or goal without forming a new entity.

Key features

1. No new legal entity or new company
2. Shared Goal
3. Defined roles and responsibilities
4. Flexible structure
5. Independent revenue and risk
6. Short term or long term

5. COLLABORATION (NON-JOINT VENTURE) cont..

Many university departments work closely with local firms on a wide variety of research projects where there is a common interest

For example: President's Office – Regional Administration and Local Government (**PO-RALG**) in collaboration with the Ministry of Health, Community Development, Gender, Elderly and Children, Kibaha Education Center (KEC) and the University of Mzumbe has come up with a software solution for hospital management named Government of Tanzania Hospital management Information system (GoT-HoMIS).

6. R&D CONSORTIA

Are collaboration partnerships where multiple organizations such us companies, academic institutions, government come together to work on shared research and development goals. This consortia pool resources, knowledge and expertise to tackle complete challenges, drive innovation and reduce the risk and costs associated with R&D.

Key features

1. Collaboration across sectors
2. Shared goals
3. Cost and risk sharing
4. Pre competitive research
5. Knowledge and resources sharing
6. Legal and operational agreements

6. R&D CONSORTIA cont…

Benefit of R&D Consortia

1. Cost efficiency
2. Accelerated innovation
3. Access t resources
4. Risk reduction
5. Policy influence

Challenges of R&D consortia

1. Co-ordination
2. Competition concerns
3. Fund dependence
4. Culture difference

7. INDUSTRY CLUSTERS

Refer to geographically concentrated groups of interconnected companies, suppliers, service providers, and associated institutions (such as universities, research centers, and trade associations) that operate within a specific industry. These clusters create a network that promotes collaboration, innovation, and competitive advantage, fostering economic growth in the region.

Example:

Hollywood (USA)

- Focus: Entertainment and film production
- Companies: Disney, Warner Bros, Universal studios.

7. INDUSTRY CLUSTERS cont..

Key features:

1. Geographic Concentration: Clusters are often located in specific regions or cities. Example: Silicon Valley in California for technology
2. Interconnectedness: Companies and organizations within a cluster interact closely, sharing resources, knowledge, and expertise.
3. Specialization: lusters focus on a specific industry or sector, such as technology, manufacturing, agriculture, or healthcare.
4. Supportive Ecosystem: Includes suppliers, educational institutions, R&D centers, and government agencies that support the industry
5. Innovation and Knowledge Sharing: Proximity fosters collaboration, leading to faster innovation and knowledge transfer.

7. INDUSTRY CLUSTERS cont..

Benefits of Industry Clusters:-

1. Economic Growth: Clusters attract investment and create jobs, boosting regional economies.
2. Innovation: Collaboration between companies, universities, and research centers accelerates technological advancements.
3. Cost Efficiency: Companies share infrastructure, logistics, and other resources, reducing costs.
4. Talent Pool: Clusters attract skilled workers due to the concentration of opportunities in the industry.
5. Business Opportunities: Proximity to suppliers, customers, and partners creates a dynamic network for business growth
6. Policy Support: governments often provide incentives, infrastructure, and funding to promote clusters.

8. INNOVATION NETWORK

is a structured collaboration among individuals, organizations, or institutions aimed at generating, sharing, and applying knowledge and ideas to foster innovation.

These networks are essential for solving complex problems, developing new products, or improving processes by leveraging diverse expertise and resource

Example:

OpenAI

- A collaborative effort involving researchers and companies to advance artificial intelligence

8. INNOVATION NETWORK cont …

Key Features of Innovation Networks

1. Collaborative Environment: Involves partnerships among companies, universities, research institutions, governments, and non-profits.
2. Knowledge Sharing: Facilitates the exchange of ideas, research findings, and best practices.
3. Diverse Stakeholders: Brings together participants from various industries, sectors, and regions.
4. Focus on Innovation: Encourages the development of new technologies, processes, or business models.
5. Open or Closed Networks:
   - Open Networks: Allow external participants to contribute (e.g., open-source projects).
   - Closed Networks: Limited to specific participants with agreed roles and goals.
6. Use of Digital Tools: Digital platforms, cloud services, and collaboration tools are often used to enhance communication and efficiency.

8. INNOVATION NETWORK cont …

Types of innovation network:

1. Knowledge Networks
2. Regional Innovation Networks
3. Technology Networks
4. Supply Chain Innovation Networks
5. Global Innovation Networks

8. INNOVATION NETWORK cont …

Benefits of Innovation Networks

1. Access to Expertise: Brings together diverse skills and knowledge.
2. Cost and Risk Sharing: Reduces individual investment by spreading costs and risks among participants.
3. Faster Innovation: Collaboration accelerates the development of ideas and solutions.
4. Resource Optimization: Participants share infrastructure, data, and tools.
5. Market Opportunities:Facilitates entry into new markets or industries.

End of Lecture