Obtaining Technology: Planning

April 15/16, 2009
Alliances

- Level of Formality
- Duration

Dimensions of Alliances

Location
# Alliances for Technology Acquisition

<table>
<thead>
<tr>
<th>Type of Linkage</th>
<th>Duration</th>
<th>Advantages (Strategic Implications)</th>
<th>Disadvantages (Transaction Costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Ventures</td>
<td>Long term</td>
<td>Specifies contribution and obligations; New entity created to specifically carry out activity</td>
<td>Strategic drift; Culture clash possible within new entity</td>
</tr>
<tr>
<td>Franchise Agreements</td>
<td>Usually long term</td>
<td>Known technology; Long payoff for already developed technology</td>
<td>Contract and monitoring costs</td>
</tr>
<tr>
<td>Consortia</td>
<td>Term mixed—payoff determines</td>
<td>Expertise, standards, and share funding</td>
<td>Knowledge leakage</td>
</tr>
<tr>
<td>Licensing Agreements</td>
<td>Defined term of agreement</td>
<td>Technology acquisition</td>
<td>Contract costs and contract constraints</td>
</tr>
<tr>
<td>Subcontracts</td>
<td>Exists as long as contract is in force</td>
<td>Cost and risk reduced—ideally allows world-class firms in that area to conduct the activity</td>
<td>Little control over quality issues—difficult to enforce even if in contract</td>
</tr>
<tr>
<td>Informal Understandings</td>
<td>Exists as long as either party finds a benefit</td>
<td>Opens new opportunities to the parties</td>
<td>Easily disbanded and not enforceable</td>
</tr>
</tbody>
</table>
Reasons for International Alliances

- Organizational Learning
- Cost Savings

Reasons for Alliances

Strategic Behavior
Strategic Reasons for Mergers or Acquisitions

- Enter a market quickly or increase speed to market
- Acquire knowledge of technology
- Avoid costs and risks of new product development
- Gain market power through additional market share

Strategic Goals
## Types of Mergers and Acquisitions

<table>
<thead>
<tr>
<th></th>
<th>Goals</th>
<th>Examples of Desired Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizontal</td>
<td>Learn new skills</td>
<td>Improvements in manufacturing or marketing</td>
</tr>
<tr>
<td></td>
<td>Gain ground on competitors</td>
<td>Reach critical size</td>
</tr>
<tr>
<td>Vertical</td>
<td>Access new technology</td>
<td>Upstream or downstream control</td>
</tr>
<tr>
<td></td>
<td>Gain ground on competitors</td>
<td>Cost reduction; Improve quality</td>
</tr>
<tr>
<td>Related</td>
<td>Learn new skills</td>
<td>New customers</td>
</tr>
<tr>
<td></td>
<td>Gain ground on competitors</td>
<td>Marketing or manufacturing improvements</td>
</tr>
<tr>
<td>Unrelated (most difficult)</td>
<td>Access to new technology</td>
<td>New products, processes, markets</td>
</tr>
<tr>
<td></td>
<td>Learn new skills</td>
<td>Risk diffusion, new customers/suppliers</td>
</tr>
</tbody>
</table>
Planning the Deal and Its Implementation

Planning

- Strategy/goals and external method align
- Due diligence conducted

Implementing the Deal (Chapter 7)

- Define objectives at the business-unit level
- Mobilize transition team
- Establish lines of authority and responsibility
- Establish performance indicators to manage risk
- Identify key employees and teams
- Plan information systems integration
- Develop plan for blending cultures and ways work is accomplished
Externally Focused Innovation/Technology Planning

1. Strategic Diagnosis
   a. Environmental assessment
   b. Market and technology positioning evaluation

2. Formulating Strategy
   a. Technology inventory
   b. Profile current and future technologies
   c. Chart technological requirements
   d. Determine inter- versus intra-firm abilities

3. Determining Goals
   a. Appropriation of technology—internal or external
   b. Deployment of technology in product or process

4. Strategic diagnosis and adjustments, as needed
Decision Tree for Acquisition Technology

1. Strategic Diagnosis
2. Formulation of Technology Strategy
3. Determination of Strategic Need That Acquisition of Technology Might Solve
4. Will it create value?
   - Yes: Type of Partner Needed
     - Level of Compatibility
       - Goals
       - Culture
       - Systems
   - No: Design of Alliance
     - Appropriate for goals
     - Positive future expectations
5. STOP—go back to diagnosis
   - No
6. Implement the Strategy
   - Yes
Case Writing

- Case paper due May 12/13, 2009
- Prepare at least 3 questions