

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL**

MGMT-712

MANAGING INTERFIRM ALLIANCES

SYLLABUS – SPRING 2015

Professor Saikat Chaudhuri
Office: 3463 Steinberg Hall-Dietrich Hall
Phone: (215) 898-6387
E-Mail: saikatc@wharton.upenn.edu

Section 1: Monday/Wednesday 9:00am-10:30am, Jon M. Huntsman Hall 345
Section 2: Monday/Wednesday 10:30am-12:00pm, Jon M. Huntsman Hall 345
Office Hours: Monday 4:30pm-6:30pm (or by appointment)

COURSE DESCRIPTION

As product and factor markets globalize, economies liberalize, technology rapidly evolves, product life cycles shorten, and competition intensifies, companies worldwide are fundamentally changing their structures and processes to keep pace and take advantage of new opportunities. We are witnessing the emergence of the disaggregated and distributed global firm that leverages internal and external capabilities around the world in real-time, blurring traditional organizational boundaries and leading to the creation of virtual enterprises. To catalyze this transformation and stay ahead in competency, cost, and time to market, companies are utilizing an array of powerful but often risky inorganic strategies, in the hopes that they can “plug and play” with local and global entities, and gain the needed resources to compete effectively.

This course explores the management of strategic partnerships between firms, which have surged in recent years in response to the contemporary developments. Today’s alliances drive corporate growth and change, and vary greatly in terms of partner type, commitment, equity investment, degree of control, scale, and scope – ranging from bilateral arrangements to ecosystems to outsourcing. Accordingly, the objectives of the course are two-fold: (1) to arm you with a set of tools to facilitate the selection of an appropriate alliance strategy in a given situation; and, (2) to provide you with frameworks to help the initiation and implementation of different kinds of partnerships.

The emphasis lies on strategic and operational aspects in the formation and management of these inter-organizational relationships, rather than financial considerations. We will cover partnerships from a variety of industries and geographies, and as we will see, insights from these settings are generalizable beyond their respective contexts. We will also examine the connection between strategic alliances and mergers and acquisitions, which are often considered alternatives but can also be pursued symbiotically, and where managerial approaches can be cross-applied as strategies blend.

The course has three modules. We begin by examining the different types of strategic partnerships, including the applicability and management approaches for each, along with the development of critical organizational capabilities. We then bring into the picture mergers and acquisitions, understanding the distinctions from alliances but also the complementarities, importing integration lessons to alliances but also exporting partnership insights to M&A. The course ends with the presentation of project work and a review of the course learnings.

Pedagogical Approach and Evaluation

This is designed to be an interactive, applied, case-based course with accompanying conceptual readings to help structure your thinking. Discussion questions for the cases will be set prior to each session, to enable you to focus your attention. Readings are designed to provide a starting point for analyzing the cases, but extension of the ideas is encouraged, as they will be applied in an integrative fashion in the discussions. Given the nature of the course, we will also apply the lessons from the cases to understand the challenges and implications of relevant recent and on-going deals. To facilitate this process, you should subscribe to the New York Times' free e-mail newsletter DealBook, to keep abreast of current alliance and M&A activity (sign-up at www.nytimes.com). In addition, guest speakers with experience in areas such as investment banking, consulting, and industry will be invited to share their perspectives.

Since strategic partnerships are a complex phenomenon which we can only discuss in parts, it is important that you evolve your own mental framework throughout the course, linking deal rationale and implementation. A main source of failure of such relationships in practice is that the objectives and execution are not consistent amidst such complicated transactions.

Evaluation in the course is based on class participation, individual case write-ups, and a group project (described below), in the following proportion:

Class Participation	35%
Case Write-ups	15%
Project Presentation	15%
Project Paper	35%

Discussion questions and any other assignments for each class will be posted on Canvas in advance. Any presentations and handouts will be posted on the same site after the respective session. Since class participation is a crucial component of not only the evaluation but also the learning in the course, it is expected that you are well-prepared for each session. To give you a structured way of doing so, you are asked to post on Canvas a maximum one-page, bullet-point reflection on the discussion questions of the day by the beginning of the respective class. This exercise serves to help you get thinking about the main issues, so we can start the conversation at a level that allows us to get the most out of each discussion. In that spirit, the write-up is intended less for my reading, but more for you to collect your thoughts as well as track your thinking pre- and post-discussion and over the evolution of the course. At the beginning of each class, I will ask one person to open the discussion. In general, I will not hesitate to cold call on quiet individuals! Note that unexcused absences and tardiness will adversely affect class participation marks. A maximum of two excused absences will be accepted.

Guidelines for Project Work

The quarter-long group project is intended to give you the opportunity to apply your learning from the course to a context that is most interesting and relevant to you. There is a great deal of latitude in selecting a topic, as long as it relates to partnership strategies at a firm or industry level. You may study past, current, or even hypothetical deals that you consider advisable. The topic should be well-researched, based on an extensive review of public information such as articles, reports, and specialized databases like SDC (see Canvas for a link to a course-specific Lippincott Library homepage listing resources on deals). I encourage you to attempt to gain access to the companies being studied to collect data and conduct interviews, since this can lead to a uniquely rich and insightful analysis. To the extent possible, I will support your efforts towards this end, by providing letters and other material.

Some sample project topics could be the following:

- Exploring Starbucks' Alliance-Based Growth Strategy
- How Schwab Broadened its Client Base through Alliances
- Digital Transformation in the Making: Disney's Alliance with Pixar
- Analysis of the Renault-Nissan Alliance
- The Sony Ericsson Joint Venture
- Parting Ways with Partners to Go Solo: Hero-Honda and TVS-Suzuki
- What Should Etihad Airways Do with Air Berlin?
- A Proposal for Collaboration vs. Competition: Creating a Comcast-Netflix Partnership
- Alliance-Driven Evolution of the Biotechnology Industry
- Making Sense of the Android Ecosystem
- Business Process Outsourcing: From the Past to the Future

A good project will:

- clearly and logically apply the course material to the phenomenon being investigated;
- present a thorough, rigorous quantitative and/or qualitative analysis of the phenomenon;
- draw implications and suggest recommendations for managerial practice;
- discuss which insights are generalizable and under what conditions.

The project is to be worked on in groups of **four or five**. A project outline and a list of group members are due on Canvas on **January 28**. The one to two page outline should contain a description of your topic, the scope of analysis, sources of data, and progress to date. The presentation of your project will take place during one of the designated classes, either on **February 25 or March 2**. The project paper is due on **March 6**, to be uploaded on Canvas. The paper is to be a maximum of 20 double-spaced pages, excluding exhibits.

CLASS SCHEDULE

I. SELECTION AND MANAGEMENT OF DIFFERENT STRATEGIC PARTNERSHIPS

01/14 Session 01: Course Overview

01/19 *Martin Luther King, Jr. Day (No Class)*

01/21 Session 02: Managing Strategic Alliances

Case: Lipitor: At the Heart of Warner-Lambert (*Michigan*)

Reading: The Relational View: Cooperative Strategy... (*AMR*)

01/26 Session 03: Managing Alliance Networks

Case: Star Alliance, 2000 (*Brandeis*)

Smarter Ways to Do Business with the Competition (*European Business Forum*)

Star Alliance Seeks Integration (*Korea Times*)

Star Alliance Cuts Costs to Stay Ahead (*The Nation*)

Readings: Constellation Strategy: Managing Alliance Groups (*Ivey Business Journal*)

Strategy as Ecology (*HBR*)

01/28 Session 04: Engaging in Strategic Outsourcing (1/2)

Cases: R&D Services at Wipro Technologies: Outsourcing Innovation? (*Wharton*)

Outsourcing with a Twist (*WSJ*)

Boeing's Global Strategy Takes Off (*BusinessWeek*)

Readings: Strategic Outsourcing: Leveraging Knowledge Capabilities (*SMR*)

Getting Offshoring Right (*HBR*)

****Project Outline and List of Group Members Due on Canvas****

02/02 Session 05: Engaging in Strategic Outsourcing (2/2)

Readings: Unbundling the Corporation (*HBR*)

Shrinking Core, Expanding Periphery: The Relational Architecture... (*CMR*)

The Globally Integrated Enterprise (*Foreign Affairs*)

02/04 Session 06: Building Alliance Capabilities and Organizations

Case: Philips: The Development of Alliance Capabilities (*Wharton*)

Reading: How to Make Strategic Alliances Work (*SMR*)

02/09 Session 07: Structuring Alliance Deals

Speaker: Jean-Michel Fally, Deloitte Consulting

II. STRATEGIC PARTNERSHIPS AND/V.S. MERGERS & ACQUISITIONS

02/11 Session 08: Embarking on Joint Ventures

Case: Xerox and Fuji Xerox (*HBS*)

Readings: Organizing for Innovation: When is Virtual Virtuous? (*HBR*)
When to Ally and When to Acquire (*HBR*)

02/16 Session 09: Determining Integration Strategies

Sim. Case: The MegaMicro Jentronix Transaction and Integration Decisions (*Wharton*)

The MegaMicro Jentronix Trans. and Integ. Simulation User's Guide (*Wharton*)

Readings: Acquisition Integration: Creating the Atmosphere for Value Creation (*Book Ch.*)
Postmerger Integration (*JBS*)

Buying Innovation: Managing Technology-Based Acquisitions (*Wharton*)

Not All M&As Are Alike – and That Matters (*HBR*)

02/17 Session 10: Implementing Alliances

02/23 Speaker: Junichi Endo, NMKV

02/23 Session 11: Global Alliances and M&A by Emerging-Market Multinationals

Cases: China's Track Record in M&A (*McKinsey Quarterly*)

Lenovo Evolves with Its IBM PC Unit in Tow (*NYT*)

Big Deal? (*Business Standard Strategist*)

Merger, Indian Style: Buy a Brand, Leave It Alone (*WSJ*)

Global Integration the Cemex Way (*The Deal*)

No Small Beer Empire (*Financial Mail*)

Readings: What Have We Learned About Emerging-Market MNEs? (*Book Ch.*)

Don't Integrate Your Acquisitions, Partner with Them (*HBR*)

III. PROJECTS AND REVIEW

02/25 Session 12: Project Presentations (1/2)

03/02 Session 13: Project Presentations (2/2)

03/04 Session 14: Synthesis of Course Learnings

03/06 *Project Paper Due on Canvas*