

# Strategic partnerships

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*“We all do better when we work together. Our differences do matter, but our common humanity matters more.” (Bill Clinton)*

*“If you want to make peace with your enemy, you have to work with your enemy. Then he becomes your partner. (Nelson Mandela)*

***“Alone we can do so little; together we can do so much” (Helen Keller)***

# Road map

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- What are strategic partnerships
- Types and areas of strategic partnerships
  - Why are enterprises partnering
  - Theories explaining cooperation
- Basics steps of strategic partnership creation
  - Keys to successful cooperation
  - Partnering in the Czech Republic

# What is strategic partnership

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- A relationship formed by two or more organizations that share (proprietary), participate in joint investments, and develop linked and common processes to increase the performance of both companies.  
Source: <http://www.apics.org/>
- A Strategic alliance is a partnership between two or more companies to pursue a set of agreed upon goals while remaining independent organizations. Strategic alliances come in all shapes and sizes, and include a wide range of cooperation, from contractual to equity forms.  
Source: Encyclopedia, Wikipedia,  
[http://en.wikipedia.org/wiki/Strategic\\_alliance](http://en.wikipedia.org/wiki/Strategic_alliance)
- TO SUM UP:
  - agreements with „open“ end (ASAP)
  - between separated independent companies
  - sharing common interests or goals
  - mutually beneficial



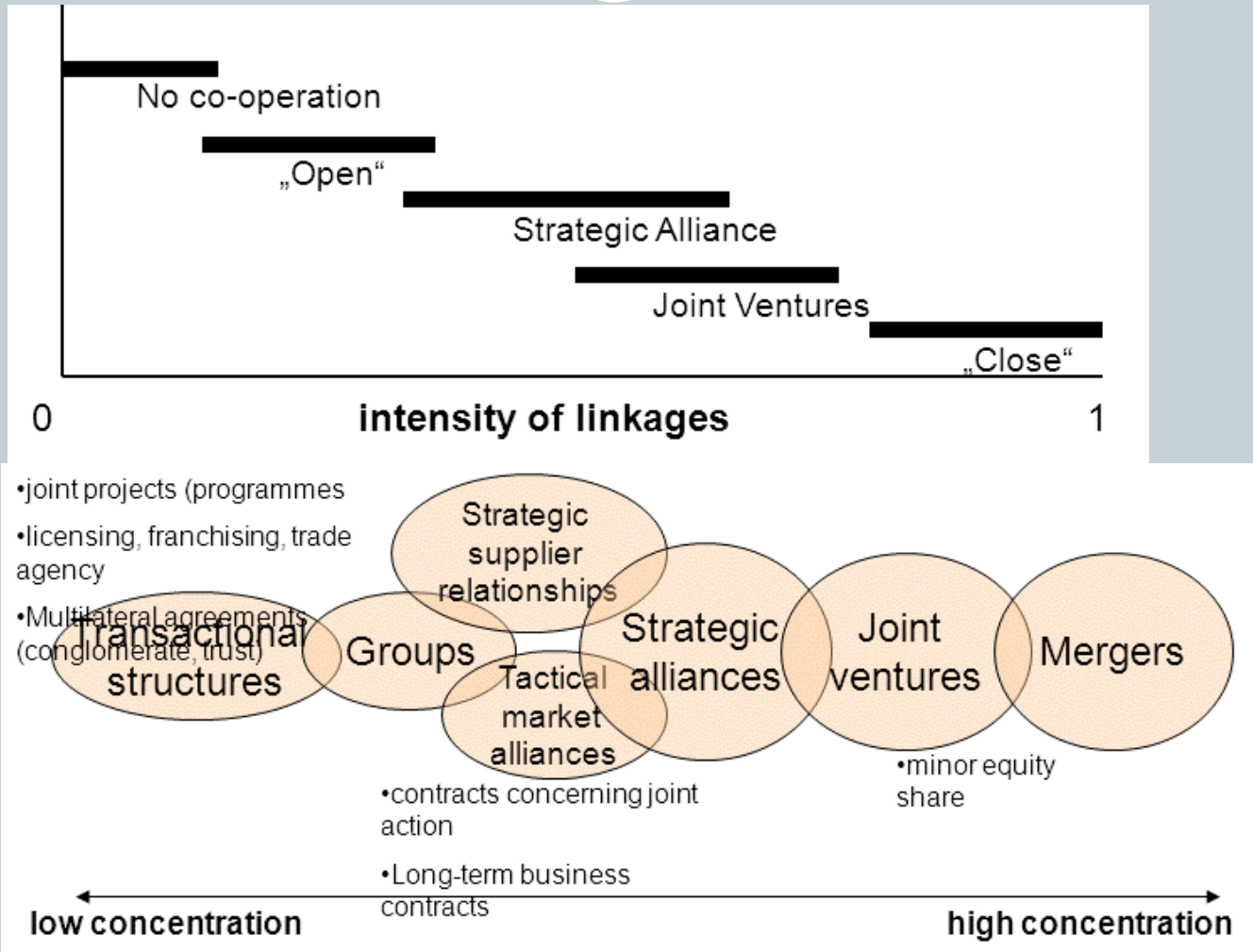
# Even competitors can cooperate

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# What is strategic partnership

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# Typology of strategic partnership

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- „salient“ informal agreements
- informal collaboration with information sharing
  - ✦ handshake agreement
- **licensing**
- **franchising**
- **preferred suppliers and buyers**
- **joint ventures**
- „close“ form of co-operation ???
  - ✦ merger
  - ✦ acquisition

SA

risk, resources,  
costs



# Informal collaboration with information sharing

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- Sharing of information which are interesting for the both sides (supplier and subscriber)
- The partners can share the experience and other data resources concerning the market conditions, experience with other partners, computer programs
- Handshake agreements
- **Question of trust** – it can be problem in the CR



# Preferred suppliers and buyers

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- Agreements connected with the special position of the partners
- Long-term co-operation
- Enterprises tend to have fewer suppliers and to create with them longer relationship based on the trust
- ŠKODA Auto Mladá Boleslav



# Sole agency

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- Adjusted by New Civil Code (no. **89/2012 Sb.**)
- agreement closed between agent and the company to be the only one representative (entity) of represented company or to sell a product in a particular area on behalf of represented company
- Zepellin CZ a Caterpillar
- Anheuser Busch Inbev and Budvar



# Licensing

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- the process of leasing a legally protected (that is, trademarked or copyrighted) entity - a name, likeness, logo, trademark, graphic design, slogan, signature, character, or a combination of several of these elements.
- Franchising is a special type of licensing
- <http://bcove.me/om0xx9bi>

The Mitas logo features the word "Mitas" in a bold, white, italicized sans-serif font, set against a solid black rectangular background.The Continental logo consists of the word "Continental" in a bold, orange, sans-serif font, followed by a circular emblem containing a globe. The entire logo is set against a solid black rectangular background.

# Franchising

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- franchisor provides its franchisees a claim to provide brand, trade marks, know-how, design, bussines and technology systems, procedural systems and other industrial or intellectual property rights, marketing support , but it is also the obligation of franchisee to operate in accordance with the concept of franchising.



- Franchisee pays a fee

- Czech franchising association (ČAF) - <http://www.czech-franchise.cz>



# Joint ventures

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- An agreement between two or more firms to undertake the same business strategy and plan of action
- It has its legal form
- Two companies want to co-operate (share knowledge, **markets**, and profits) and they decide to create another company together – JOINT VENTURE
- In the CR typical for the enterprises with foreign capital

# Barum Continental

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- tires producer
- JV partner – German company  
CONTINENTAL – 1992
- Barum – part of Continental Group



# Close form of cooperation

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- merger
- acquisition
- Acquisitions – key success factor:
  - ability to integrate the company (85)
  - synergies (84)
  - competitive position of the company acquired (81)
  - evaluation of acquisition candidate (80)
  - management abilities of company acquired (77)
  - prior experience making acquisitions (69)
  - market growth of the company acquired (69)
  - technology position of the company acquired (68)
  - compatibility of management styles (67)
  - price paid (64)
  - aid from public authorities

Wall Street Journal/Booz-Allen &Hamilton Survey 2002

# Popularity of cooperation in the CR

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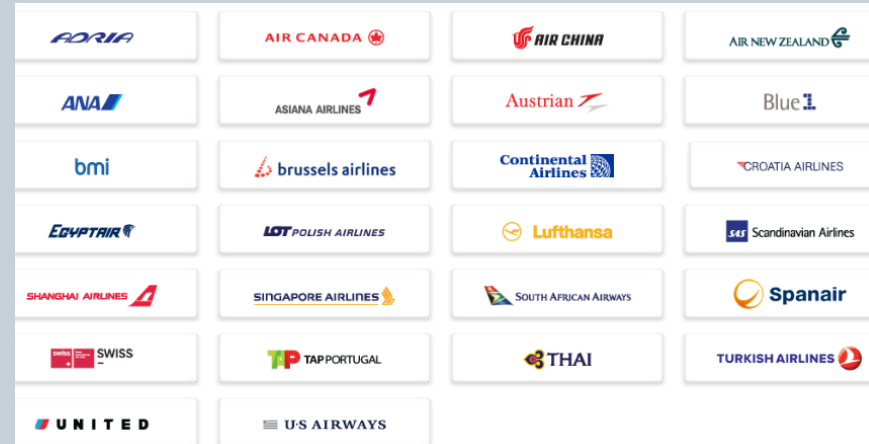




# Marketing / distribution/ service agreements

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- Agreements concerning the collective solution and implementation of external processes
- The external processes can be presented by mutually coordinated marketing, assembly and servicing of complicated equipments, common distribution
- Cooperation of airlines – Sky Team, Star Alliance
- Alliance of automobile manufacturers



# Production / assembly / buy back agreements/ purchasing/ RaD

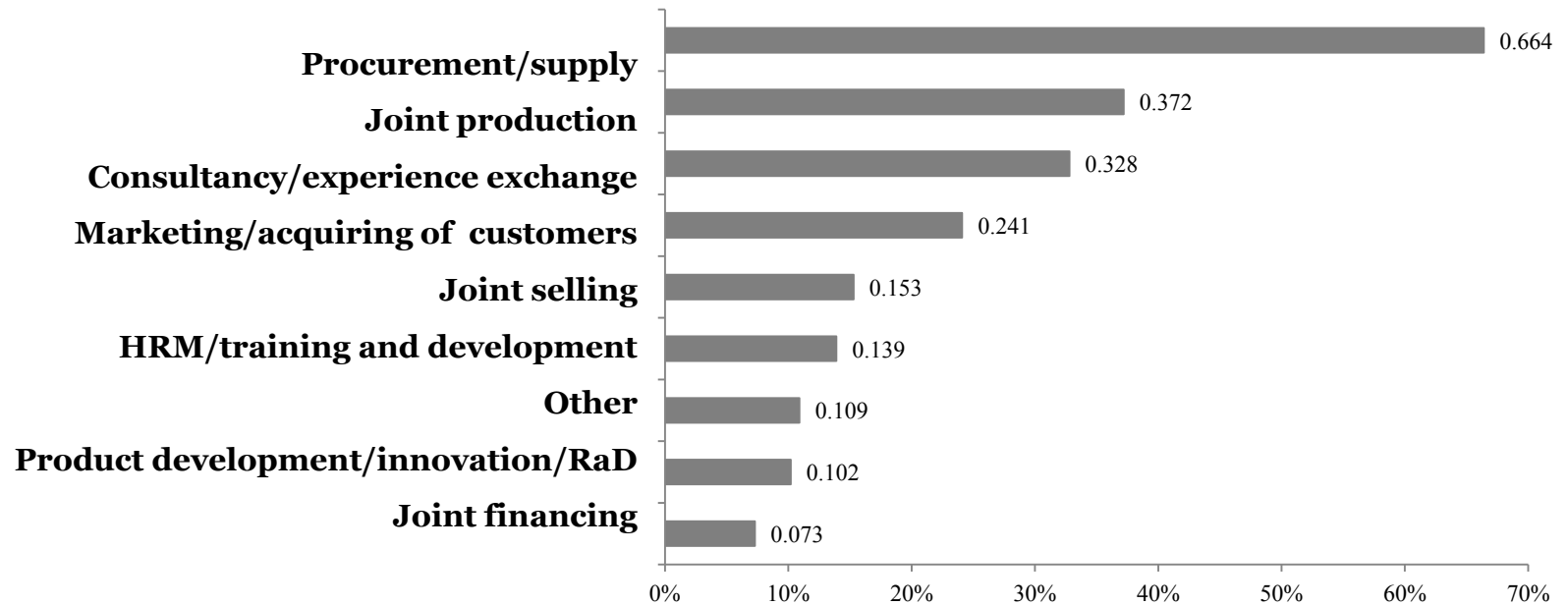
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- The participating companies are trying to exploit the advantages coming from the economies of scale
- Co-operation connected with fluently recovery of the capital equipment and later with buy back by the supplier of the equipment



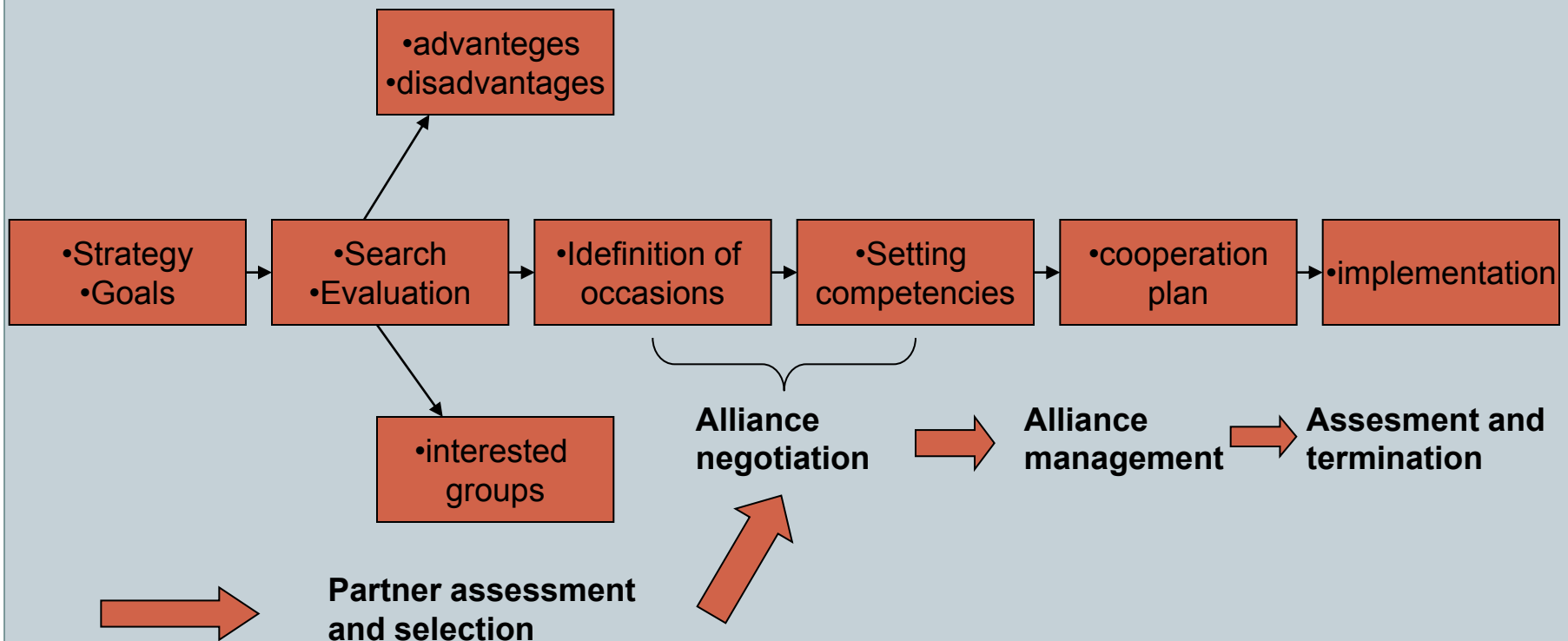
# Area of cooperation

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# The process of strategic alliance creation

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**FIGURE 7.4.3** Tools to use across the alliance life cycle



Wit, B., Meyer, R. (2010. Strategy: Process, Content, Context : an International Perspective. Cengage learning EMEA

# DCH merger

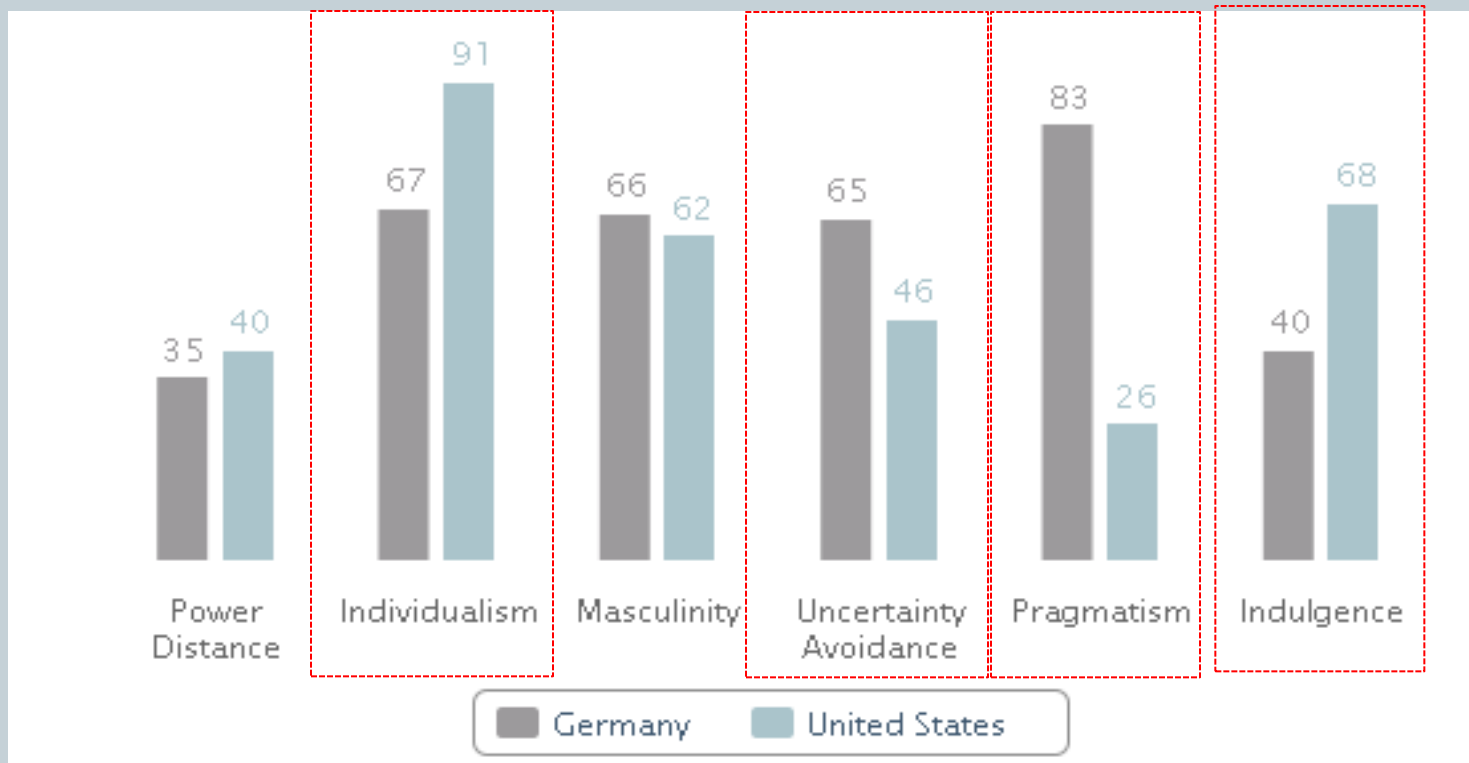


- started in 1998, in 2000 german management started taking over the whole's company management, 2007 Chrysler division sold.
- a lot of red tape x no red tape
- Long almost endless reports x discussions and reports based on the minimum necessary
- Detailed plan and precise implementation x trial- and –error method to come to solution
- Methodical decision making x creativity in decision making
- Authority, bureaucracy centralized DM x equal rights among all staff
- Hierarchies and top-down management flat structures
- Low salaries x high salaries



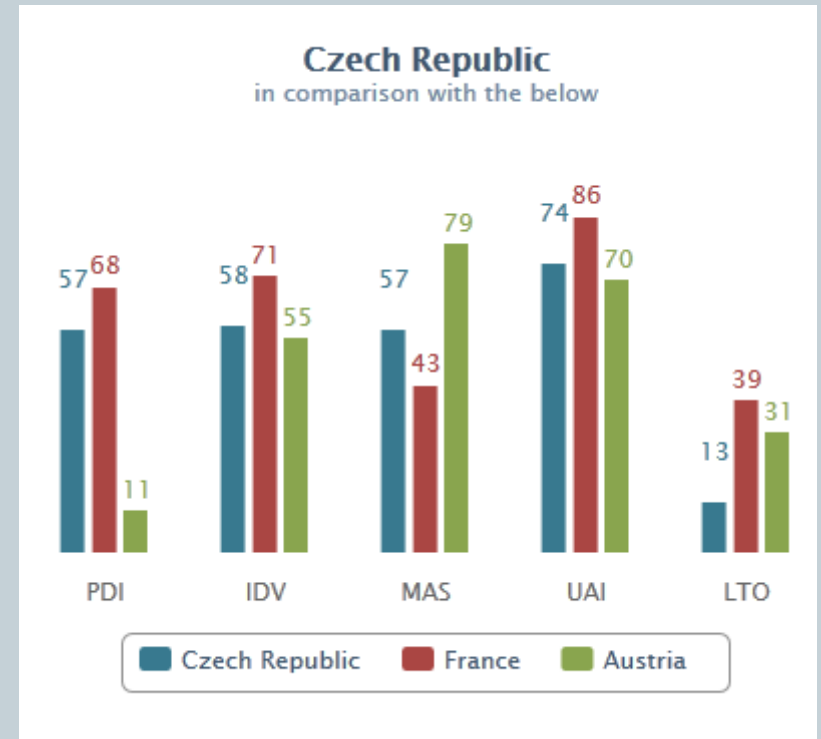
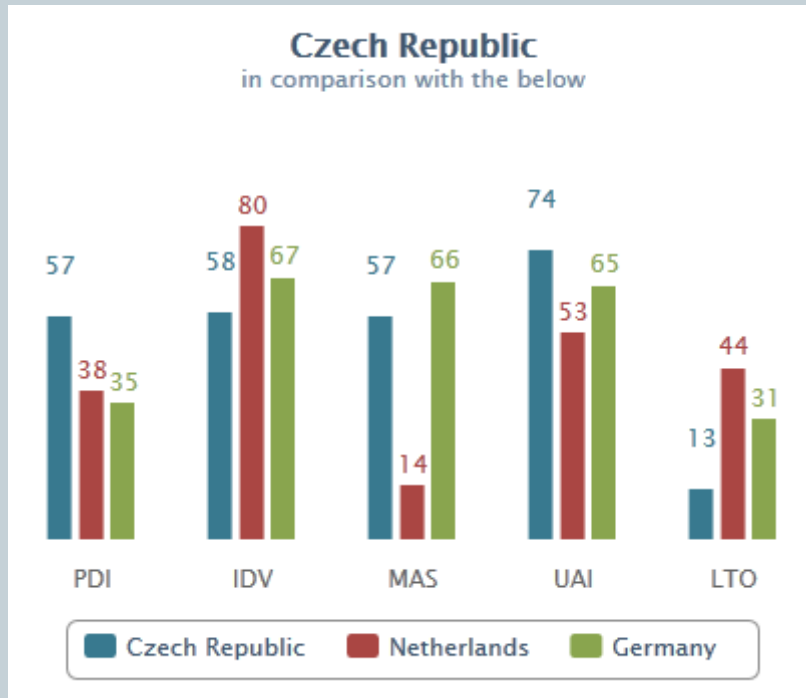
# Cultural clashes: *DaimlerChrysler*

Autumn 2021



# Cultural clashes

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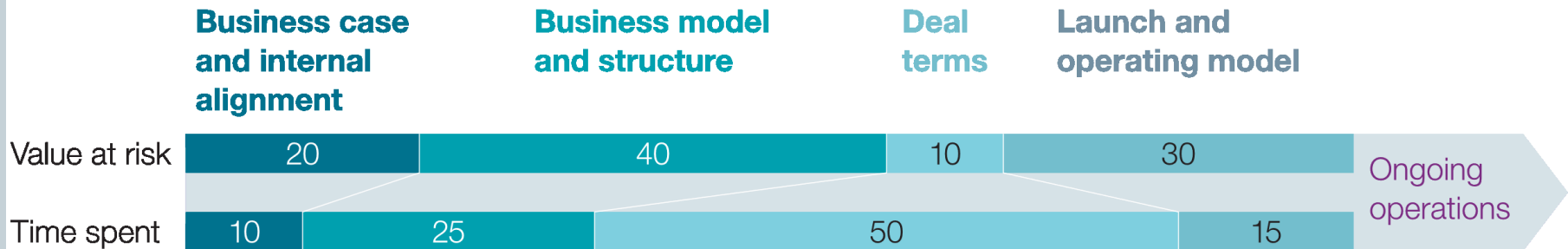
<http://geert-hofstede.com/czech-republic.html>

<http://www.businessinfo.cz/cs/clanky/organizacni-kultura-a-narodni-kultura-7699.html>



## Companies spend more time on steps where less value is at risk and less time on steps where more value is at risk.

% of total time spent on each stage of joint-venture development



Source: Interviews; McKinsey analysis

McKinsey  
& Company

# Critical success factors of SA (Biggs, 2006)

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# Why strategic partnership

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## **SME**

- limited possibility of financing (this disadvantage causes other secondary problems)
- higher interest rates at the bank
- underutilization of production machines
- employees motivation
- Access to the resources

## **Large companies**

- Prevent competition (cheaper acquisition)
- Access to technology, expertise, innovation
- Competitive advantage
- Decrease time to market

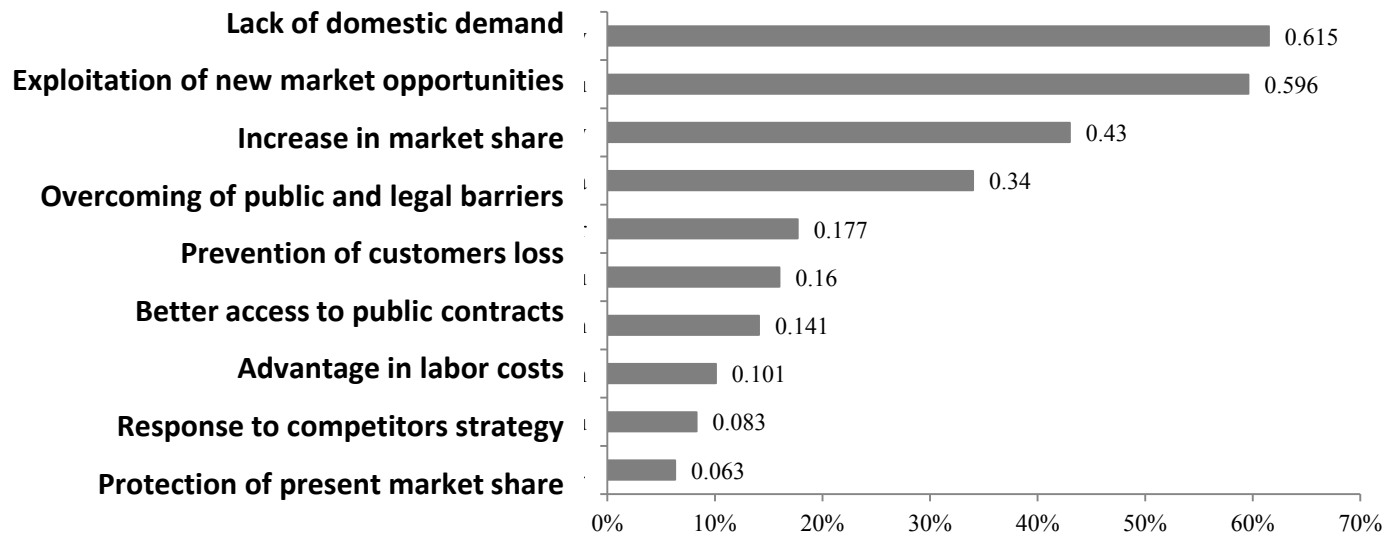
# Main purposes of the alliances

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1. activities and resources shared between partners – co specialization
2. competition battle reduction – co-option. coopetition
3. knowledge creation, transmission and utilization – co-learning, learning and internalization
4. power shift (change in bargaining power), image and trustworthiness shift
5. cost reduction

# Motives to cooperate (MBV)

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# Motives to cooperate (RBV)

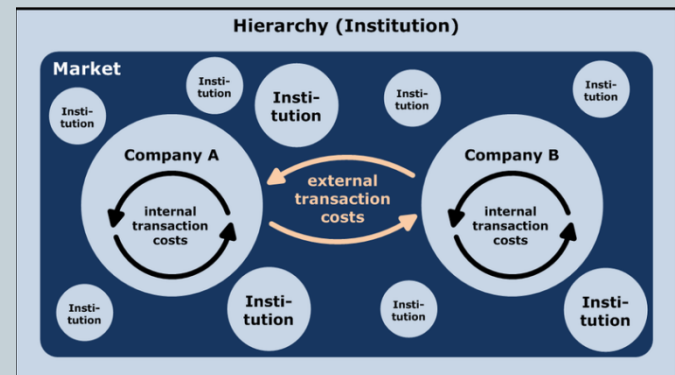
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# Theories of cooperation

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- Resource dependence theory
  - Formalized by *The External Control of Organizations: A Resource Dependence Perspective* (Pfeffer and Salancik 1978)
- Transactional cost theory
  - R.Coase in 1937
- Social network theory
  - Sociometry, Moreno, Milgram, Granovetter, Burt
- Strategic management



	Strategic Alliance Motives	Governing & Managing Strategic Alliance
Resource Dependence Theory	<ul style="list-style-type: none"> <li>● Acquisition of Resources Theory (Pfeffer &amp; Salancik, 1978)</li> </ul>	
Resource-Based Theory	<ul style="list-style-type: none"> <li>● Acquisition of Resources</li> <li>● Building Competitive Advantage (Barney, 1996; Tsang 1998; Das &amp; Teng, 2000; Yasuda, 2005)</li> </ul>	
Knowledge-Based View	<ul style="list-style-type: none"> <li>● Acquisition of knowledge</li> <li>● Organisational learning</li> <li>● Building Competitive Advantage (Kaplan et al., 2001; Van Gils &amp; Zwart, 2004)</li> </ul>	
Contingency Theory	<ul style="list-style-type: none"> <li>● Risk &amp; Uncertainty Reduction (Ranganathan and Lertpittayapoom, 2002)</li> </ul>	
Game Theory	<ul style="list-style-type: none"> <li>● Building Competitive Advantage (Parkhe, 1993; Reardon &amp; Hasty, 1996; Kippenberger, 1998; Song and Panavides, 2002)</li> </ul>	
Transaction Cost Theory	<ul style="list-style-type: none"> <li>● Cost Advantages</li> <li>● Risk &amp; Uncertainty Reduction (Williamson, 1985; Hobbs, 1996)</li> </ul>	<ul style="list-style-type: none"> <li>● Asset Specificity</li> <li>● Perception of Opportunistic Behaviour (Williamson, 1979; 1985; Young-Ybarra &amp; Wiersema, 1999; Yasuda, 2005)</li> </ul>
Social Exchange Theory		<ul style="list-style-type: none"> <li>● Communication</li> <li>● Trust</li> <li>● Commitment (Morgan &amp; Hunt, 1994; Dyer &amp; Singh, 1998; Young-Ybarra &amp; Wiersema, 1999)</li> </ul>



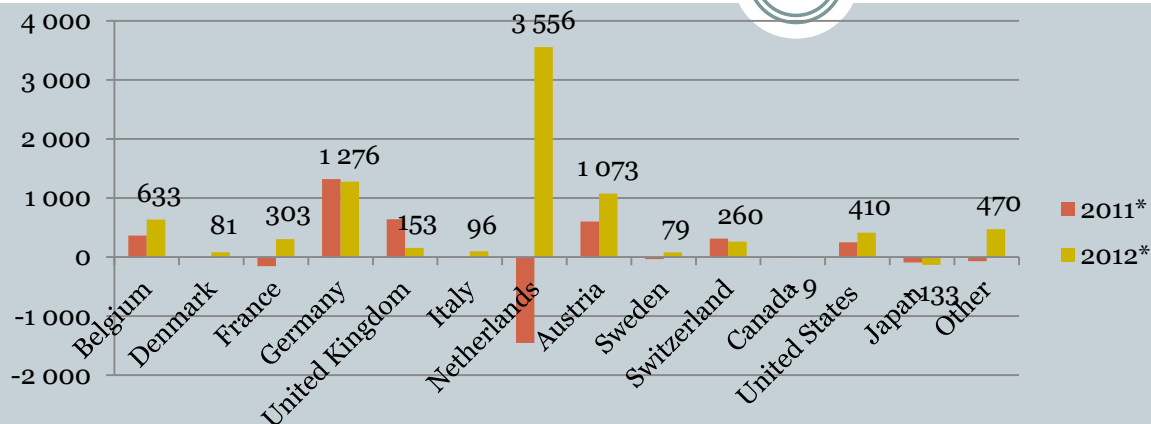
# Facts representing cooperation

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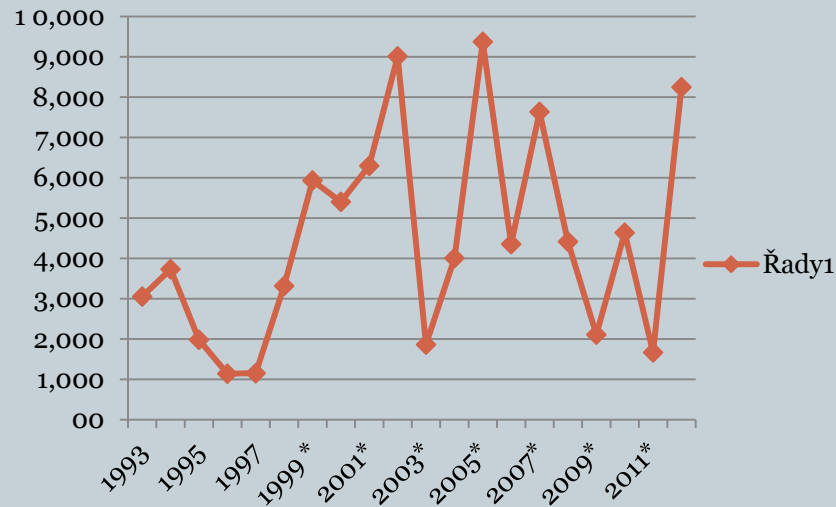
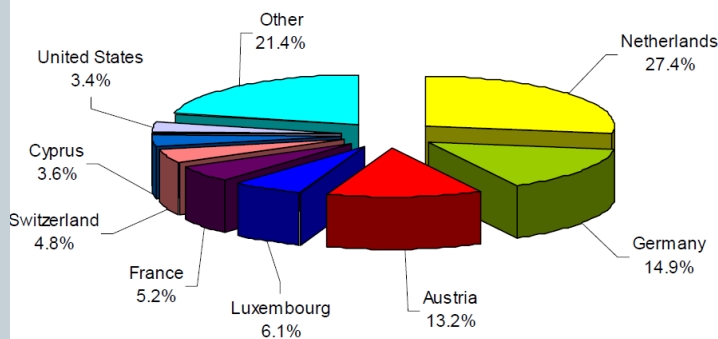
- volume of direct foreign investment exceeded 9 billion EUR in 2010
- 173 000 Czech firms are supported by foreign capital (2012), 70 % of exports are made by these firms
- *99,8% of all the Czech companies in the CR belongs to SME*
- CaE Europe is the most attractive region fore investros (Ernst&Young, 2009, European Attractiveness survey)
- 87 % of Czechs speak at least one foreign language
- One of the highest mobile telephone penetration (105 %)
- Educated staff
- Good transportation infrastructure

# Volume of direct foreign investment inflows

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Foreign direct investment in the Czech Republic as of 31 December 2011 - by country

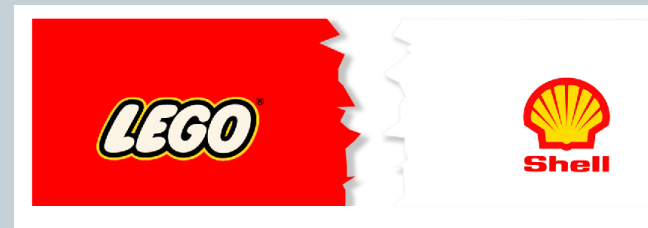


Czech Republic: Inward Foreign Direct Investment, 1993–2012 (in mil. EUR)

# Cooperation in the CR

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- Problem with trust between the Czech companies being competitors, if they are going to co-operate (the Moravia Silesia Cluster) – problem especially of the co-operation supported by public authority
- Foreign partners are trying to produce for cheap in the Czech Republic
- Foreign partners want to expand and don't know the Czech market
- Cooperation between Czech firms in the sphere of research and development (24 of innovative research parks in the CR)
- Expansion of outsourcing
- Barriers of cooperation – different wage and cost level, different attitude to work and mentality, low knowledge of the language, bureaucratic and legal obstacles,



- **Don't give your brand away, carve out provisions for adequate creative control**
  - *"We signed a partnership thinking it was going to work perfectly, and it failed dramatically. To be successful today you have to be true to your DNA, and there's no way an external company can take care of that as you do. You don't just give away your brand to someone who might have completely different objectives."* (Nicola Andreatta, Vice President and General Manager of Tiffany & Co Swiss Watches)
- **Don't underestimate the importance of compatibility from a core value perspective**
  - *"Lego are a company all about all about children, the future of children and being environmentally sustainable. If you make those kinds of claims as values of your company then it is really important that you examine the relationships that you have with other companies who clearly don't have the same values"* (Charlie Kronick, Senior Climate Advisor at Greenpeace)
- **Make sure you establish and practice trust, be clear on what you plan to share, and then share it**
  - *"Volkswagen AG did not allow Suzuki access to Volkswagen AG's core technology and it also became clear that there were differences between Suzuki and Volkswagen in the understanding of 'independence'. Suzuki could not therefore establish a relationship of mutual trust which is the basis for collaboration between the two parties."* (Spokesperson, Suzuki)

*Thank you*