

Chapter 8 Collaborate to Compete

For cooperation to prove stable the future must have a sufficiently large shadow.

—*The Evolution of Cooperation*, Robert Axelrod

For the adventurer in Strategic Space, the most keenly felt issue is that of limited resources. This is particularly true for the start-up company, and even more, it is a paramount problem for an advanced technology start-up such as Control Data. The market opportunity is tantalizing. There is talent and confidence, desire and enthusiasm. The know-how that will yield competitive advantage and market demand seems clear: in Control Data's case it was the ability through *innovative design* to extract maximum computer performance and competitive superiority. But there are all these other "must dos," such as supporting sub-systems and market access through good distribution channels, things that will help turn potential into reality. Where is the money for all that? How is it possible to develop the needed capabilities in time to hit the window of opportunity? Even more daunting is the ongoing necessity of exploring more advanced technologies from which competitive advantage can be fashioned even before the technology of the

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current product is fully developed and deployed. The potential resolution to these issues lie in three alternative directions:

Make

Buy

Collaborate

With limited resources, a new company out of necessity must seek collaboration. Such was the case at Control Data. However, there developed in the company both a mindset and a skill set that made collaboration a part of its strategic thinking long after its status as start-up had passed and it had become a multi-billion-dollar enterprise. In the later years of the twentieth century, *collaborative* undertakings, or, in the common vernacular, “strategic alliances,” became a common phenomenon in the business world. In the last two decades of the twentieth century the number of strategic alliances among U.S., E.C., and Japanese firms grew fortyfold. It is estimated that in 2005 alliances will be the source of 30 percent of the revenues in the top one thousand U.S. public companies.

Such ubiquity, however, has not necessarily resulted in better understanding of the basics of collaborative arrangements in achieving their potential. The failure rate is thought to be around 40–60 percent. Because Control Data’s extensive use of alliances occurred in an environment in which they were uncommon and continued to be a primary component of its strategy, I am in a position to state with the clarity of hindsight what works and what doesn’t.

First, it’s necessary to discuss the meaning of the term *strategic alliance*: what such a partnership is and, equally important, what it is not. This may seem unnecessary for a term in such common use, but the very casualness of its usage almost guarantees that a word or phrase becomes warped as to its meaning. Witness the bastardization of the meaning of the slang word “cool,” which originally referred to something “interestingly different” or, perhaps better, “bordering on wonderfully bizarre,” into simply “great,” “really nice,” or “attractive.” So the term *strategic alliance*, and arguably there is no such thing as a *nonstrategic* alliance, has come to mean almost anything one does with another party: a contractual relationship, a simple vendor customer relationship, an acquisition, a license agreement, or whatever. By denoting all arrangements as “strategic alliances,” they are given a degree of profundity that inflates the importance of the partnership—that gives them all equal standing.

An acquisition is *not* an alliance. It is simply a means of subsuming the other party’s interests and capacities into one’s own. A simple buy—sell arrangement or technology acquisition via licensing is not an alliance, but simply an ordinary arms-length business transaction.

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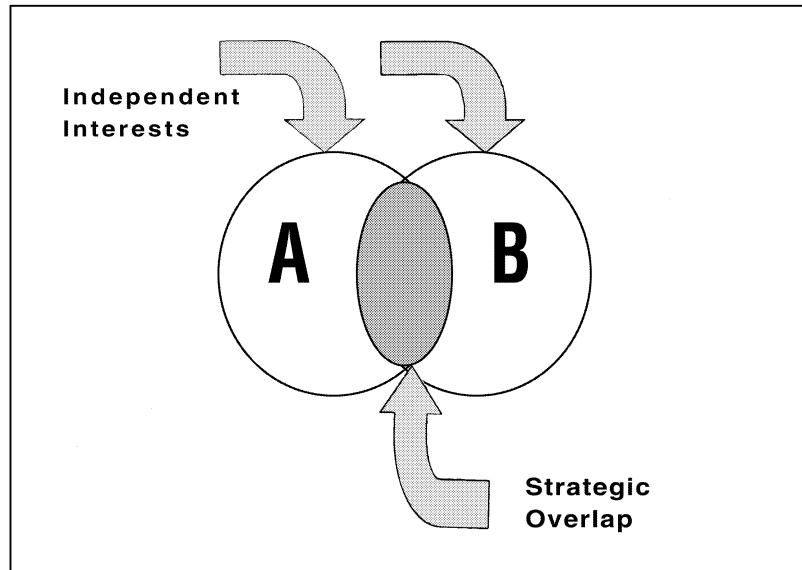


Figure 7. Strategic Alliances

A strategic alliance, first of all, involves a pooling of resources between two or more parties. Second, it should be a non-zero-sum relationship; both parties give to the other and yet *retain* what they gave and in addition gain from the relationship. Third, and most essential, true alliances have strategic overlap. Put it this way: I have my objectives and strategies for achieving them, you have yours. We determine that we can each achieve our independent objectives by collaborating in *some portions* of our strategies. Pictorially, this can be represented through a Venn diagram by the overlap of two domains, *A* and *B*, where *A* and *B* represent the domain of the respective strategies of the two parties. The overlap simply says that some portion of those strategies can best be achieved by pursuing them jointly. There remains, nevertheless, unique strategies that are each company's own.

PURPOSES OF STRATEGIC ALLIANCES

There are three, *and only three*, purposes to strategic alliances:

- Technology
- Market Access
- Complementary Capabilities