Chapter 7
Strategic Relationships

- The rationale for interorganizational relationships
- Types of organizational relationships
- Developing effective relationships between organizations
- Global relationships among organizations
Mapping the Path to Market Leadership

Market-Oriented Culture and Process

Organizational Change

Relationship Strategies

Positioning with Distinctive Competencies

Superior Customer Value Proposition

Strategic Relationships Between Various Organizations

Channel Member

Company

Customer

Supplier

Competitor
Drivers of Interorganizational Relationships

Opportunities to Enhance value

Skills and Resource Gaps

THE RATIONALE

Competitive Strategy

Environmental Turbulence and Diversity (complexity)

Illustrative Inter-Organizational Relationships

Strategic Alliance

Supplier/Manufacturer Collaboration

Joint Venture

Distribution Channel Relationship
Growth in Strategic Relationships

- By 2001, the top 500 global businesses had 60 major strategic alliances each.
- By end of 1990s, U.S. alliances had grown more than 25 percent annually for previous 5 years.
- Accenture suggests nearly one-third of companies expect alliances to account for more than one-third of market value by mid-2000s.
- Reliance on alliances is high (20-30% of revenue) in U.S. and European companies.

The Logic of Collaboration

- What is the strategy? Is partnering a promising strategy?
- What are the costs of collaboration?
- How essential is the relationship strategy?
- Are good candidates available?
- Do relationships fit our culture?
**Types of Organizational Relationships**

- Supplier Partnerships
  - Goods Suppliers
  - Services Suppliers
- Lateral Partnerships
  - Competitors
  - Nonprofit Organizations
  - Government
- Internal Partnerships
  - Business Units
  - Employees
  - Functional Departments
- Focal Firm
- Intermediate Customers
- Ultimate Customers
- Buyer Partnerships


**Illustrative Partnering with Customers**

<table>
<thead>
<tr>
<th>Company/Brand</th>
<th>Customer Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing (commercial aircraft)</td>
<td>Involving airlines in design of Boeing 777</td>
</tr>
<tr>
<td>Harley-Davidson (motorcycles)</td>
<td>Harley Owners Group with over 100,000 members</td>
</tr>
<tr>
<td>Marriott (hotels)</td>
<td>Partnering with corporate customers</td>
</tr>
<tr>
<td>System Soft (PC Card software)</td>
<td>Partnering with PC makers and Intel</td>
</tr>
</tbody>
</table>
Strategic Alliances

- Success of alliances
  - failures in logic
  - failures in process
- Types of alliances
- Alliance success requirements
- Alliance vulnerabilities

Motives Underlying Entry of Firms into Strategic Alliances

- Market entry and market position-related motives
- Product-related motives
- Product/ market-related motives
- Market structure modification-related motives
- Market entry timing-related motives
- Resource extension- and risk-reduction related motives
- Skills enhancement-related motives

Relationship Management Guidelines

- Planning
- Trust/Self Interest
- Conflicts
- Leadership
- Flexibility
- Cultural Differences
- Technology Transfer
- Learning from partner’s strengths

How Strategic Relationships Enhance Value

- Improved market vision and learning by pooling the knowledge and experience of the partners
- Enhanced customer value by integrating the partner’s unique competencies
- Joint analysis of what is required to create superior customer value for specific market segments
- Capitalizing on value migration opportunities that are not feasible for a single organization
- Reforming organization structure to gain efficiencies and greater adaptability to change
Strategic Relationship Issues

- The role of strategic relationships in market-driven strategy
- Moving from hierarchies to process driven structures
- Fit of relationship strategy with organizational design
- Marketing and organizational change

Global Relationships Among Organizations

- Types of global organizations
  - the network corporation
  - trading companies
- The strategic role of government
  - single nation partnership
  - multiple nation partnership
  - government corporations
  - government legislation

- Review Question
  - List the types of organizational relationships and the motives underlying entry of firms into strategic alliances.