

# Open innovatie – vereiste vaardigheden voor bedrijven

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## Countervailing Forces at Play

*Preserving current wealth creating strategies.*

*Forces of Stability*

- *Planning*
- *Control*
- *Structure*



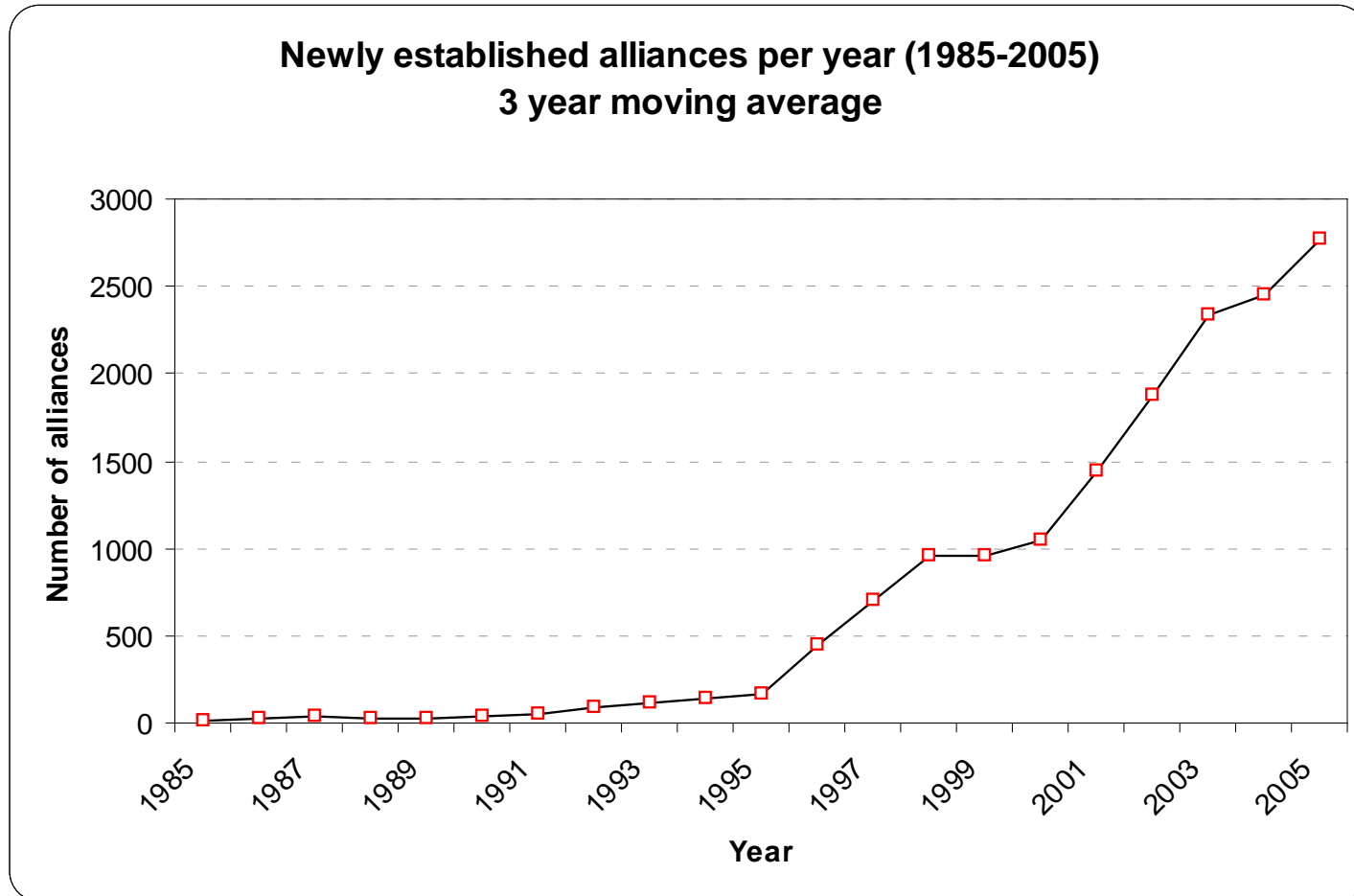
- *Experimentation*
- *Learning*
- *Innovation*

*Forces of Change*

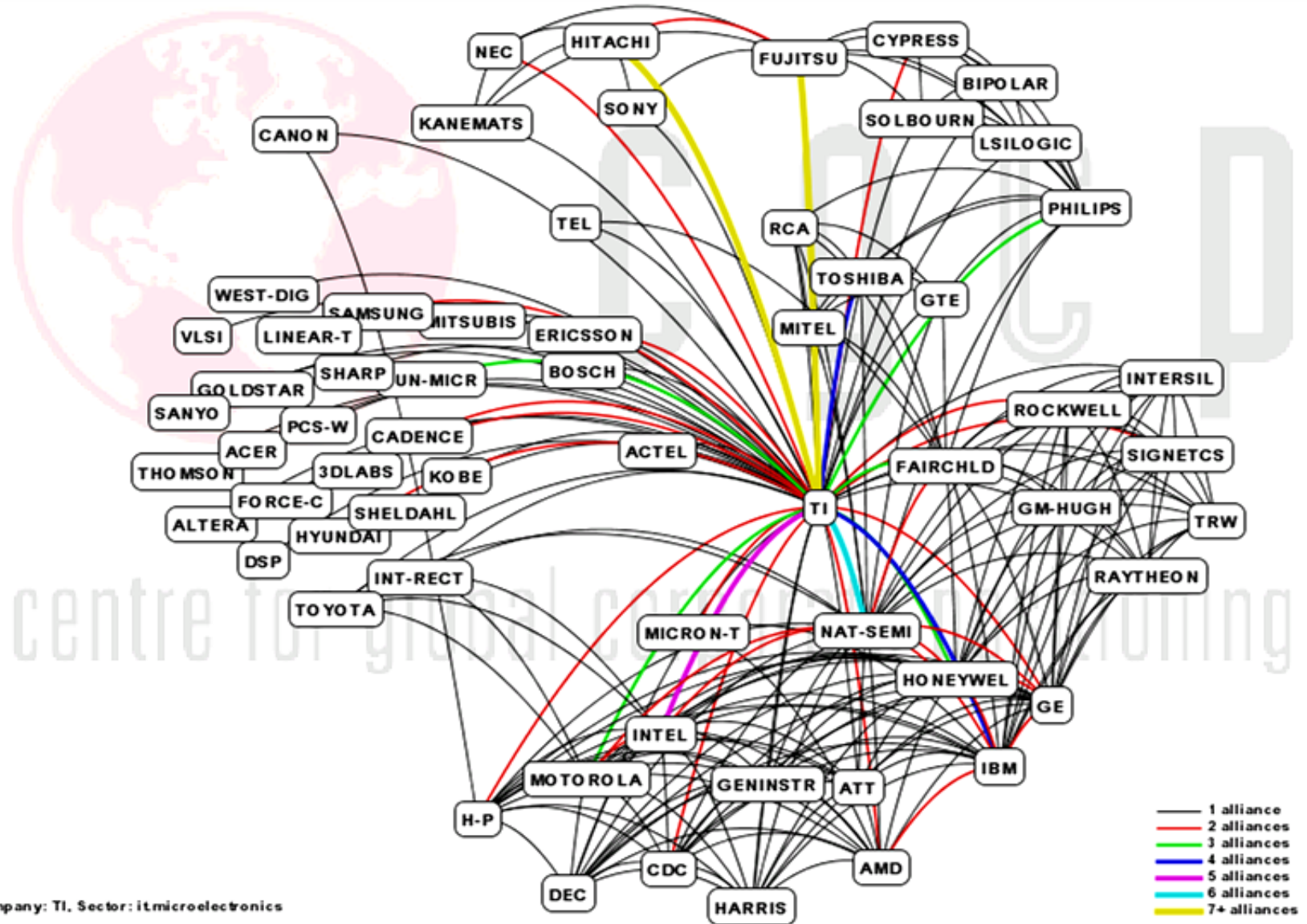
*Seeking new wealth creating strategies.*

# Why is co-operation necessary?





# This is a subset of the alliances Texas Instruments has formed over a 5 year period

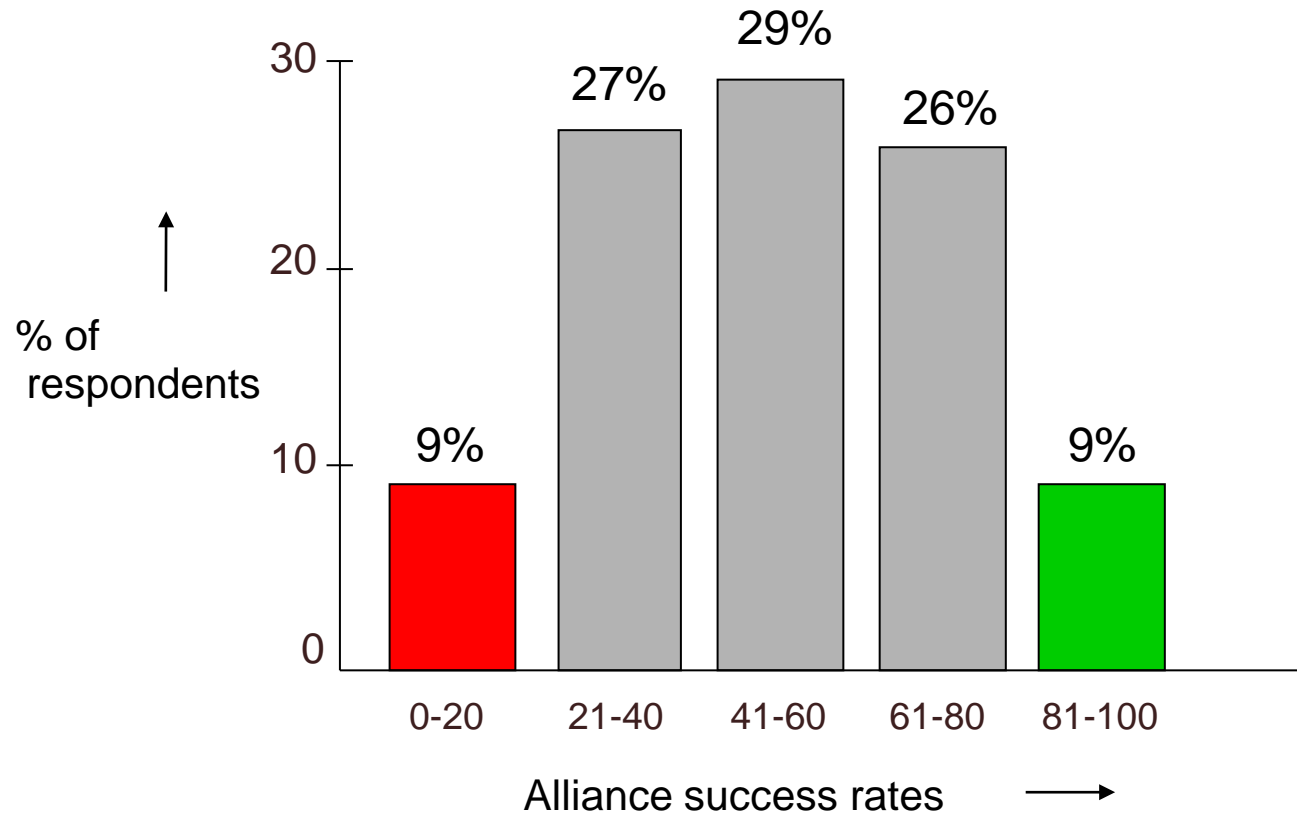


## The respondents

IT (software, hardware)	29
Pharma/biotech	22
IT services	12
Telecom	6
Other services	4
Other manufacturing	3
Financial services	3
Public sector	2
Chemicals	1
Other	18
Total	100

- The first two studies took place in 2002 and 2007. This study is from January 2009.
- Number of respondents: 431
- Nationality: 64% USA; 24% EU; 12% Other
- Size: over 30% have less than 500 employees; 64% over a 1000. Majority have 1 to 50 bln. \$ revenue

## 2007: 50% success rate on average

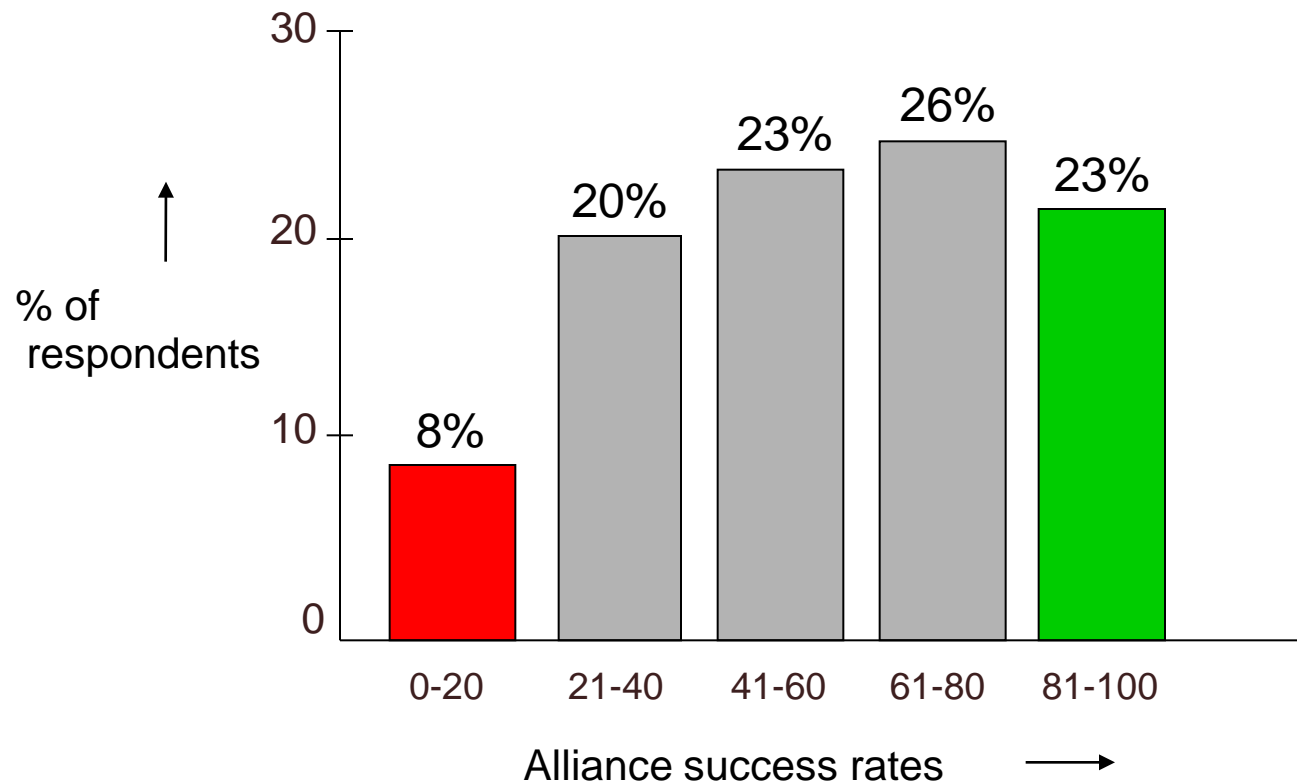






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## 2009: The alliance success rate has increased significantly to 57%



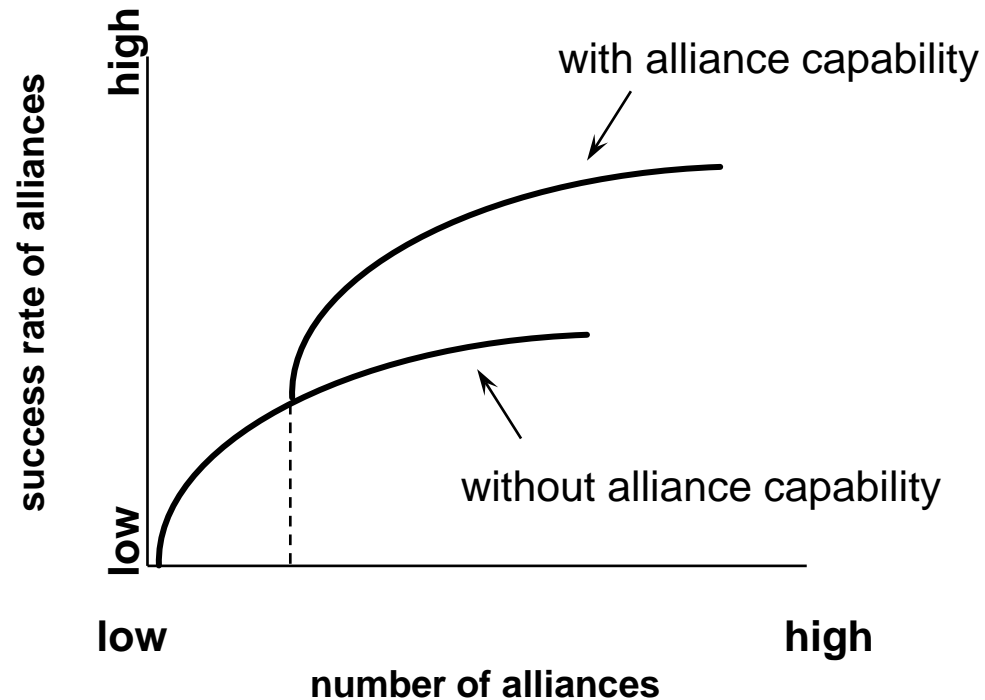
Increased experience and increased application of best practices have led to improved performance

Strategic Alliances have high failure rates (40 – 60 %) due to:



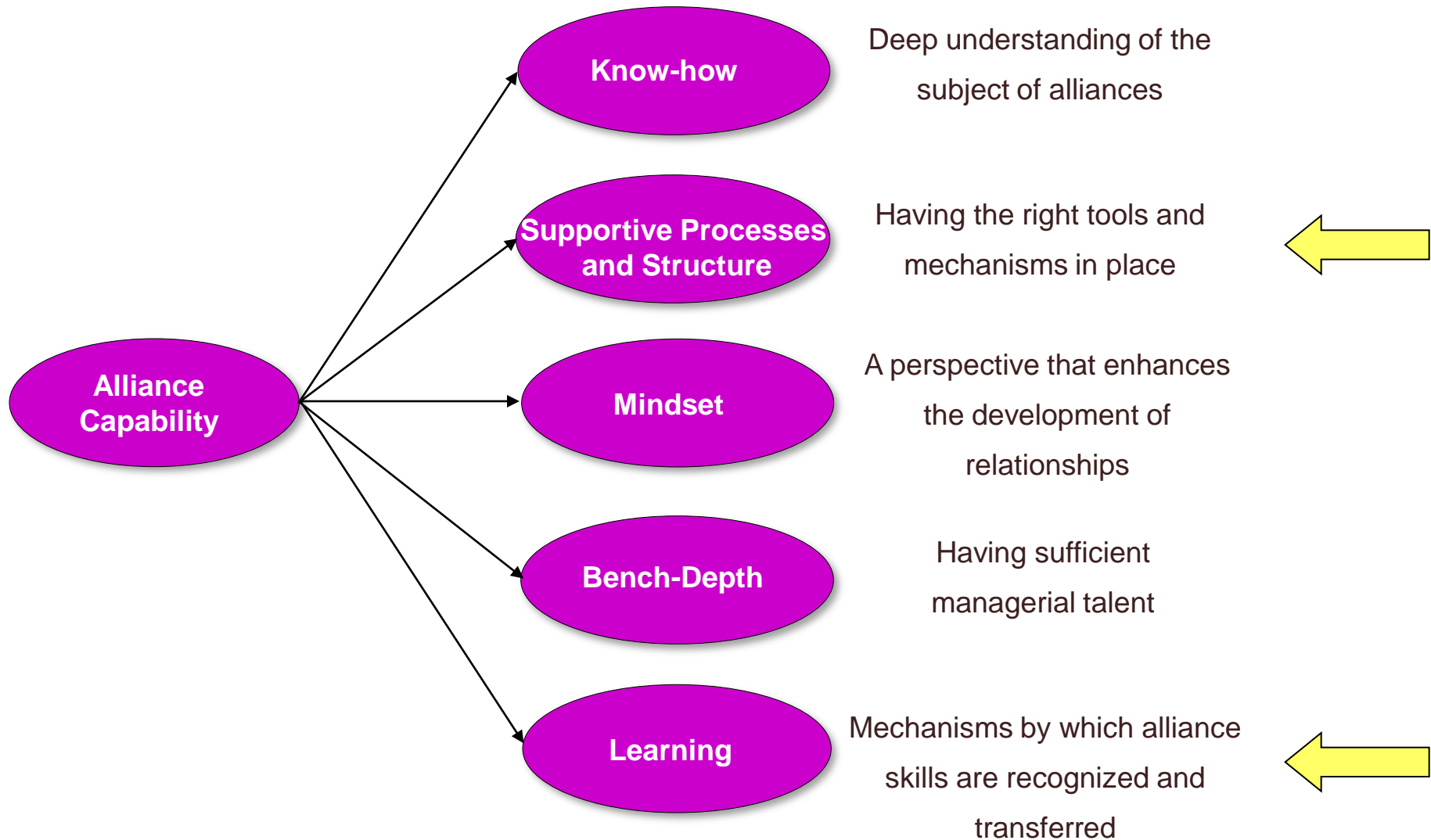
Source: PwC  
Preferred Partner  
Survey, 1999  
(n=111)

## An alliance capability enhances the success rate of alliances



- Learning by doing is effective for the first alliances, but soon after that a structural approach for alliance management is required

# An alliance capability consists of five elements



## A large number of alliance functions, tools and processes exists

### Functions

- VP Alliances
- Alliance department
- Alliance specialist
- Alliance managers
- Gatekeepers
- Local alliance managers

### Tools

- Alliance training
- Standard partner selection approach
- Joint business planning
- Alliance metrics
- Alliance database
- Alliance best practice
- Culture programme
- Partner programme
- Evaluation techniques
- Joint evaluation
- Country specific alliance policies

### Control and management processes

- Responsibility for alliances
- Rewards/bonuses for alliance managers
- Rewards/bonuses for business managers
- Knowledge exchange between alliance managers
- Process of partner selection

### External

- Consultants
- Lawyers
- Mediators
- Financial experts

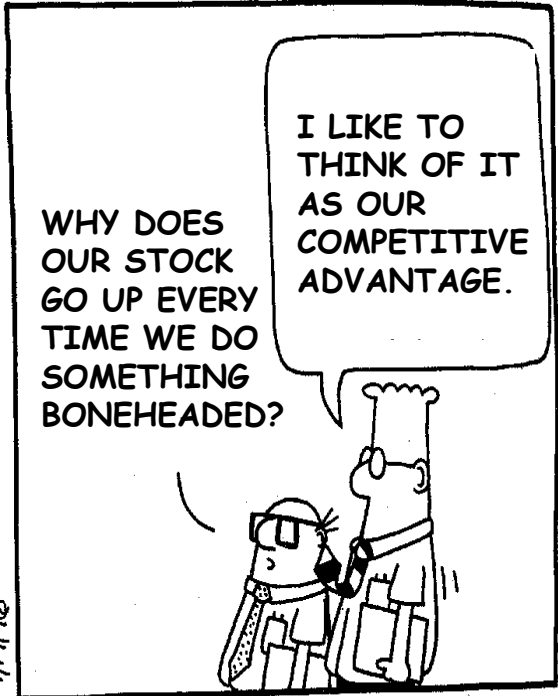
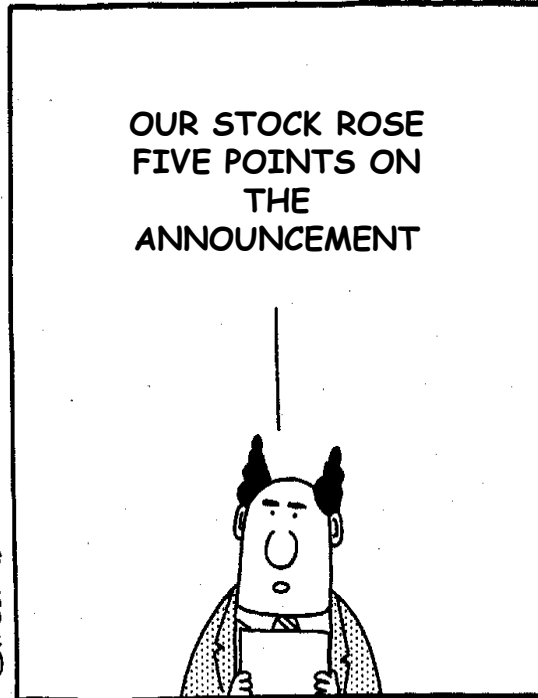
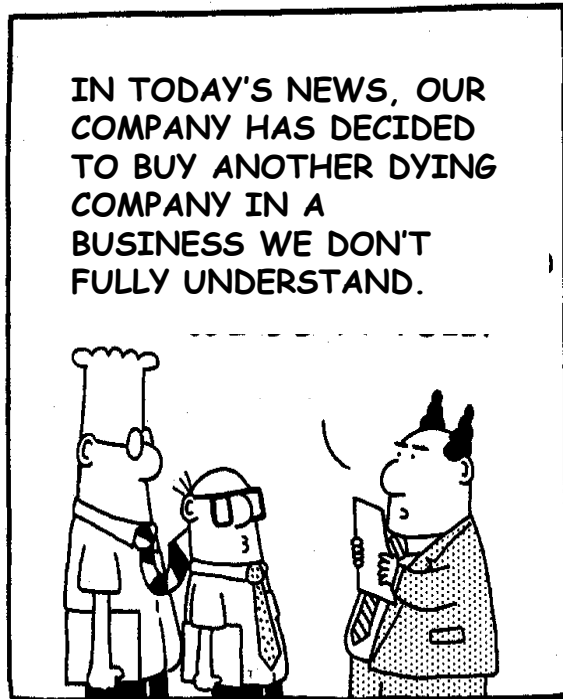
## Most important tools for alliance succes

Alliance Management Tool	Rank
Individual evaluation	1
Joint evaluation	2
Alliance Metrics	3
Cross alliance evaluation	4
Alliance management development program	5
Intercultural training	6

## Mergers and Acquisitions Failure Rates (adapted from Porter-Lynch)

- 70-80 % fail to achieve their objectives five years later
- Typical Merger loses 16-49% of combined Market share within 5 years
- Average Premium paid is 36% above Market Value
- Only 33% end up recovering costs incurred in the deal
- 33-50 % are later divested
- 50% result in losses of productivity and profits





S. Adams

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# Alliances and Innovation: Empirical evidence

## The theory on alliances and innovation

### Innovation enhancing

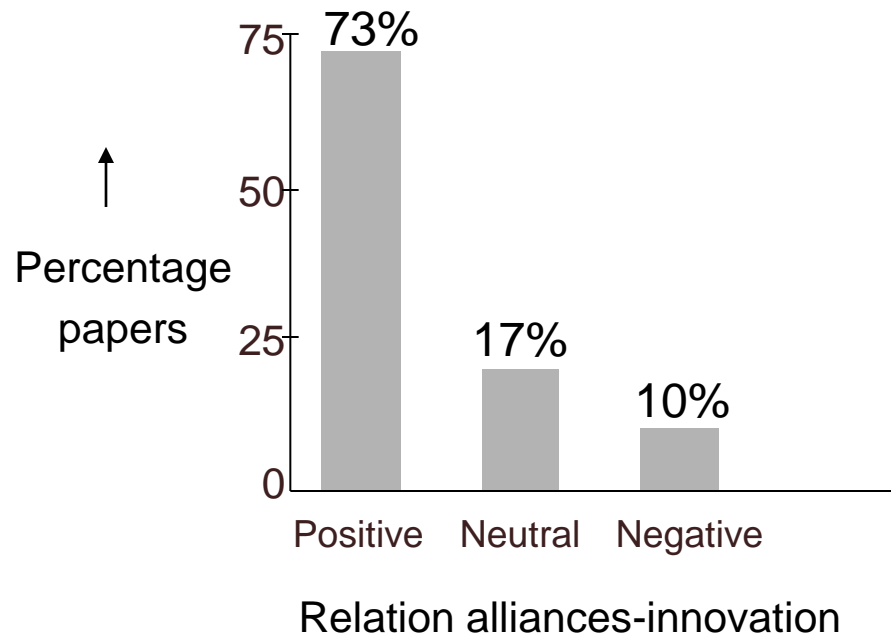
- Lower risk of innovation
- Combination of competences (Smart or SenseoCrema)
- Exchange of ideas stimulates creativity
- Radar function
- Speed of innovation

### Innovation inhibiting

- Transfer of knowledge across organizational boundaries is difficult
- Competition between partners
- High rates of alliance failure in general

30 articles were reviewed

## The majority of the articles report a positive effect of alliances on innovation Qualifications



- Joint knowledge base improves performance
- Alliance experience improves performance
- Intensive collaboration performs better than less intensive (like licensing)
- PPP and government sponsored R&D is neutral/negative
- In networks the relation is less straightforward

How can this be possible given the fact that 50% of all alliances fail?

## The theory on M&A and innovation

### Innovation enhancing

- Increased R&D budget allows for larger projects to be tackled
- Complementary in knowledge can stimulate creativity
- R&D productivity can increase because of diffusion of best practices

### Innovation limiting

- In the short run M&A draw attention away from innovation
- Post merger integration is notoriously difficult: knowledge exchange may become stuck in differences in capabilities, routines, processes.

Only 8 articles were found meeting our selection criteria; 7 more shed light on related issues

## The evidence of the relation between M&A and innovation is negative

	Positive	Neutral	Negative
Input-measure	0	3	1
Output-measure	0	1	3

## Qualifications

- Companies with no or little overlap in their knowledge base perform worse than companies with overlap
- Post merger integration processes improve performance
- M&As do create possibilities to economize on R&D