

What are Strategic Alliances and Partnerships?

Worksheet

Alliances range from formal joint ventures (shared ownership and governance) to equity stakes (one company holds shares in another) to simple contractual agreements. Partners share risks, resources, and rewards based on their contribution and agreement terms.

Questions

1. A pharmaceutical company with strong R&D partners with a distribution-heavy company. What is the strategic rationale?
 - A) Merge to consolidate
 - B) Combine complementary strengths
 - C) Reduce competition
 - D) Enter a new market
2. Joint ventures are riskier than simple partnerships because:
 - A) They cost more
 - B) They require shared governance and deep integration
 - C) They last longer
 - D) They involve merging completely
3. Which alliance type requires the least governance overhead?
 - A) Joint venture
 - B) Equity stake
 - C) Contractual partnership
 - D) Merger
4. An alliance fails because one partner steals the other's intellectual property. What safeguard was likely missing?
 - A) Legal fees
 - B) Clear IP ownership and confidentiality clauses
 - C) Board seats
 - D) Shared equity
5. A European car manufacturer wants to enter the US electric vehicle market. It lacks US distribution and charging infrastructure. How could an alliance help?
6. Two pharmaceutical companies each have a promising drug candidate but lack resources for full Phase 3 trials. Should they merge or ally?
7. A retail chain wants to add a restaurant concept without building from scratch. Should it partner with an existing chain?
8. Define: What is the main difference between an alliance and a merger?
9. Define: Why would a company prefer an alliance to going solo?
10. Define: What is a joint venture?

Answer Key

1. B) Combine complementary strengths - The alliance lets each leverage what the other lacks: R&D + distribution = faster revenue.
2. B) They require shared governance and deep integration - Joint ventures involve a new legal entity and tight operational integration, raising governance complexity.
3. C) Contractual partnership - Contractual partnerships are the lightest-just a service/supply agreement, minimal governance.
4. B) Clear IP ownership and confidentiality clauses - Clear IP rules and NDAs are essential to protect proprietary technology and data.
5. Partner with a US tech company (e.g., Tesla-like partner) via equity stake or joint venture European firm brings: EV platform, manufacturing expertise US partner brings: distribution channels, charging network, regulatory relationships Result: Faster market entry, shared R&D costs, complementary strengths.
6. Alliance is better: Co-develop both drugs in parallel via joint venture Share trial costs (100M 60M each) Each retains IP and upside on their own drug If one succeeds, combined revenue pays for both trials Merger would mean giving up one drug and losing independence.
7. Yes: Equity partnership or licensing agreement with an established restaurant brand Retail chain provides: store space, customer traffic, supply chain Restaurant brand provides: menu, operations, expertise Result: Lower risk, faster rollout, shared revenue stream.
8. Alliance: partners remain independent, share specific objectives. Merger: one legal entity, full integration, loss of independence.
9. Access complementary skills, enter new markets faster, share R&D and infrastructure costs, and reduce risk.
10. A new company created by two or more partners, with shared ownership, governance, and profits.

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