Technology Transfer through Joint Venture
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Lecture – 03
Risks and Opportunities

I welcome you to the third lecture on how to transfer a technology through strategic alliance, and today my focus will be more on opportunities and risks in the strategic alliance.

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Now, to put the opportunities in a simplest way as (Refer Time: 00:57) in a paper strategic alliance legal and ethical challenges, that globalization and technological advances have contributed to the rise of strategic alliance. It is alleged that the traditional or vertically integrated companies, cannot deliver the levels of quality, low cost innovation and fast response times that competition demands, to put it to other way around that in the globalization area, or when the technology advancement is in its peak.

The strategic alliances, is a better form of business opportunity in comparing to if you wanted to grow in organic manner within the organisation. Now possible you are aware of the fact that the life of the technology, is became much laser then which it used to be in last decades. Take example of mobile cell phone, you will find the life of technology is around three months, by that time you will find new or better improved version is in the market.

Similarly, there is other technologies also be it a car, be it a bike, be it a IT based technology, be it a entertained based technology, you will find they are rapidly changing and they are bringing more and more efficient technology into the market. So, if you wanted to be a competitive, against your competitive in the market, then you need to adopt the new technology and you should have a capacity to observe that particular new technology within your organization. To be candid on the particular issue many of the time the company who are in developing the product into a particular market, do not have a age to develop that R&D within their organization. So, one as to rely on the technology which is available in other part of the market, or in the other part of the globe and they have to get that particular technology, so that they can bring the product which is marked standard.

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So, strategic alliances give the dynamism, collaboration, and mutual learning. Dynamism in the sense that you can keeps space with the technological changes, which might market look for. Collaboration in the sense you collaborate with the partners, where your partner also get opportunity to learn about the market, where you are producing that particular technology. Or they even able to learn that technology demand into that particular market. So, accordingly they can customise their product, if they are good into

R&D, or even they can bring a better technology, or commission the new research for developing a new technology or better technology.

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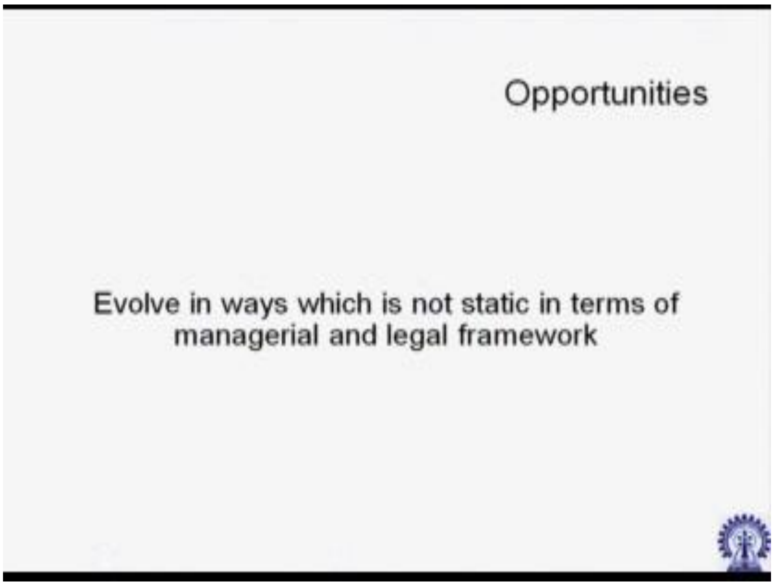

Even you know the strategic alliances, if all the way by which it can keeps you dynamic managerial as well as the legal framework. Now when I am talking about dynamic managerial it means, that those people who are managing the affair of the company, or the organisation which is coming out of the these strategic alliance ,or any relationship which is coming out of this partial strategic alliance. They should be in a better position to know that how to place themselves into a margin market, or a changing market conditions. At the same time when I am talking about the legal framework, you have to have a very dynamic legal relationship between you and your partner, or between the parties who are participating into these strategic alliances. So, both of you can get the advantage out of these strategic alliance itself.

Now, when I am talking about flexible framework, or flexible legal framework; I wanted to mean that whenever you have enter into an agreement, you possibly not aware of the fact that what are the issues might come before you, rather you have kept your condition open, or the framework, legal framework open, that, if there is an exigencies in the futures, or if there is a changing business environment in future, you can accommodate that particular changing business environment within your agreement itself. So, what I am trying to drawing your attention that you should have a flexible system of managerial orientation of the organization, which is coming out of this particular essay. Or if it is a simple a contract then both that organization should have a flexible managerial structure, which can promote the essay strategic alliance. At the same time you should also promote the flexible legal framework. So, that it can give you a better understanding over these you know continuation of the strategic alliance.

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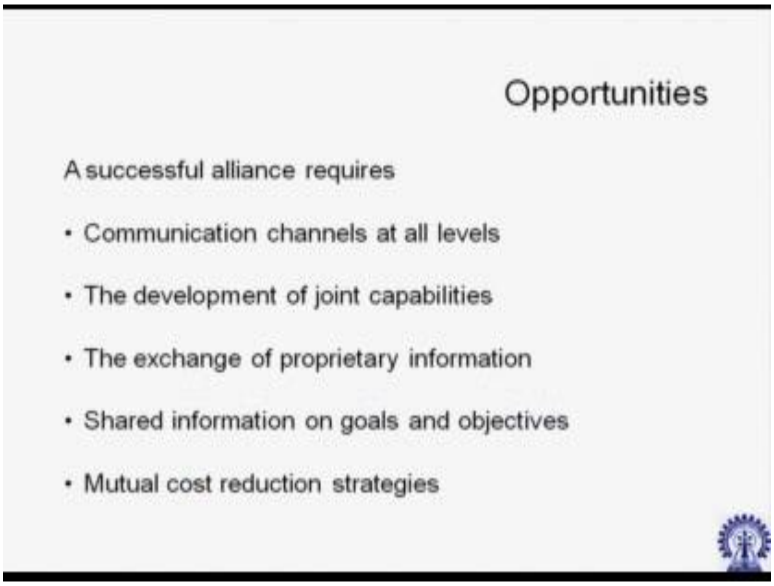

Now, let me take you through the criteria which might provide you sustainable and successful alliances, when you are going as head into the future. The first thing is that there should be a communication channel at all levels; that means, if you are creating a new structure or new business organization out of these strategic alliance, or your managing these particular business by both the partner. In both the cases there should be a level of which all channel of communication in all the stage. It might be even the channel of communication in the lower management rank, even in the worker level, and the sometime it should be into the higher managerial level where the decision making happens in this particular case.

Now, it should also develop the joint capabilities of producing that particular product, or handling the market, or even the computation which you are might faces in the market or at the same time if there is any risk which you are finding in in doing this particular business. Relating to the matter of the risk I am going to discuss little later, but let me tell you this developing the joint capability is one of the very important aspects, for sustenance of this strategic alliance. There is some kind of study which said that you know within three years almost 55 percent of the strategic alliance collapses, because of not able to developing these particular joint capabilities.

Similarly, you need to have kind of a system available through which you could exchange your proprietary information. If you remember my previous lecture I was talking with you relating to non disclosure agreement, because sometimes while you are in strategic alliance, or when you are acting together into a particular market, you do disclose some of the very sensitive information which is only known to a particular organization only, because if it is be lower to the public domain, then in that case you might have a difficulty to face your competitor or even the market too. So, exchanging the proprietary information should be there, but at the same time there should be adequate precaution to be taken by both the party into this strategic alliance.

Now you need to share the goal and objectives, and you need to continuously change it monitor it, redeveloped it, and reassert it, because the goals with which you have started, these particular strategic alliance need to be change due to the change into the market condition, due to change in regulatory environment, due to the change above in the customer preference so much so forth.

Similarly, you know you need to be a flexible about your objectives which you wanted to pursue, during these particular strategic alliance too, because you might have a objective initially to produce a, to bring a particular product into particular market, but over the years it might require to customise that particular product, and you also need to indulge yourself, or to start a R&D for bringing a better product into that particular market itself. So, you need to have a flexible objective. You it cannot continue simply with developing the product. If need arise you have to develop the facility to do the R&D into this particular product.

Now, the third thing which a helps this particular strategic alliance is, the mutual cost reduction strategies you know, through this particular strategic alliance many of the time. You try to find out the best process through which you can bring down the cost of the production. It might be through the engineering innovation, it might be by a defining the new process of a labour management, it might be the process by which you wanted to access the market, or it might be the supply chain which you wanted to use for distribution of your product so much so forth. You basically try to find out a suitable knowledge or suitable understanding from each other, so that you can mutually get benefit in this particular process.

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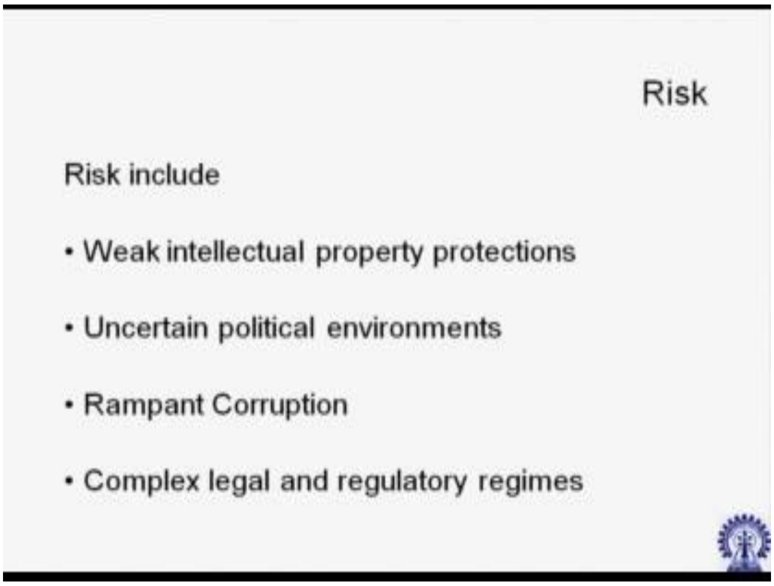

Now, as I told you those strategic alliances give you a lot of opportunity to grow. At the same time you also need to aware the risk which you might face, during this particular strategic alliance. And what I did gave you a four pointer about these particular risks which you might find in usual course of your business. The first might be the weak intellectual property protection, and most of the country you will find though there is a intellectual property law are there, but the execution of the intellectual property protection is quite low. Now if you look in India you will find those multinational who do the business in India, or those people are basically technology based, or knowledge based business.

The always aliases that Indian intellectual property enforcement is pretty low, and it is quite risky to do the business in India, because India do not give any protection in case a reverse engineering, India do not give any protection related into rampant infringement of some bodies knowledge, India do not give a adequate protection in infringement of the copyright so must so forth. Even you know some people say that if it is a industrial design the India do not give a proper protection for this particular purpose. So, many of time, the weak intellectual property regime, might be a big challenge for strategic alliance, because that the liability of protection, protecting this particular intellectual property which you are receiving from your partner organization, lies with you only. So, you need to have your strategy in place, internal as well as you have to take the adequate precaution for enforcement of your right, if there is a infringement happen in outside of your organization too.

Now, the second can be the uncertain political environment, and this is quite a big challenge in the country like India, where there is a multi party democracies are there, because once a political master changes in the election their objective and the prospective of the development, or prospective of economic growth might change. So, in those circumstances one need to be very carefully, that how they are going to carry forward the business. If you if you look around you will find there is a many project which was initiated by the previous government, are not really progress much into the present government, and this is also true not only in the federal level or the central level, but this is also true in state government level, or even in the local government level.

So, the political uncertain environment might be huge bottle neck or might be a huge problem for you in execution of the project, which you wanted to initiate through this strategic alliance. Now some of the market are affected by the rampant corruption, and you know people do allege the same thing for India also, and this is also true not only India in many of the market, be it a developed market, developing market, or under develop market. And you know in those particular market, the garment machineries or may be the local garment, or the people who are facilitate to that particular business need to expect that, there should be some kind of a kick back for doing the business into that particular market and your organization might be a ethical organization, and you do not encourage this particular process. So, in those particular markets to survive itself is a very challenging task or difficult task.

Like you know somebody told me that it is surprising, that how the Tata do the business in India, because India has a you know bad reputation of the corruptions, and they said that you know if the ethical organization like Tata’s are doing the business in Indian market is really very surprising for the outside who are not part of this particular thing. Similarly, there might be a complex, legal, and regulatory regimes, and which might create a huge bottle neck for doing the business into a particular market. Yesterday I have talked with you relating to is of doing the business in India and India basically feature very low into that particular list itself. So, sometimes you know there is a over regulation into a particular market, sometime you will find because of the particular over regulation brokering difference comes and it create a scumbling block for development of this particular business, and you need to manage this particular difficultly during this particular strategic alliance.

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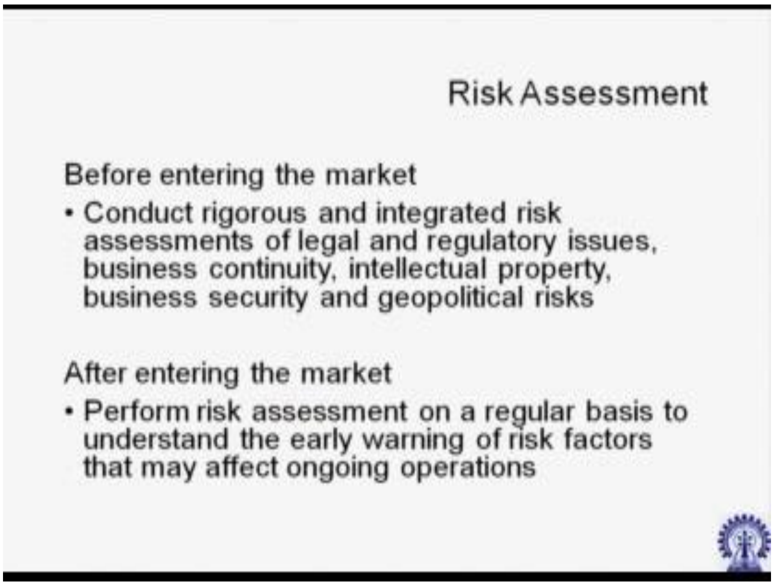

Well now let me put it before you these two stages of the risk assessment; one can be called before you are entering into a market, and second is after you entering into the market. In both the cases it is advisable that you close the monitor this particular risk, and you should have a strategy implies to comeback this particular risk; like if you are entering, I mean before you are entering in to market you might have risk relating to the legal and regulatory issues, which I have talked with you it might be relating to the business community, it might be relating to the business security, and even some of the time geopolitical risks. I believe I have talked with you relating to legal and regulatory issues.

Let me talk about the business community, you know some point of time you will find the business community through their trade association create a barrier for a new entrant into the market. And these particular barrier is quite acceptable to this particular market, because may be the fair regulated into that market are not very strong, or there is a some kind of a practise which is prevalent into the market, and that create a barrier or strong barrier for a new entrant into this particular market, and in those particular circumstances you should have a strategy implies, how you are going to do this particular thing. Or sometimes you will find these business community do exercise a lot of concentration into the market through their own association or trade groupings.

Similarly, you will find there might be a geographical risk, geographical risk due to geopolitical issues, it might be because of the fragile environment of that particular places where you wanted to do the business so much and so forth, and there you should be aware about what are the risks which you might faces, before you really start your strategic alliance. And if you are aware of this particular risks, you have a plan implies how to come back with this particular risk. Similarly after you enter into the market you need to continuously monitor these risk assessment or perform this particular risk assessment, so that you have a early warning of a particular risk, which you might going to face, and if you have this particular early warning then in that case you should take a appropriate measure, how to compare that particular risk into that particular market itself.

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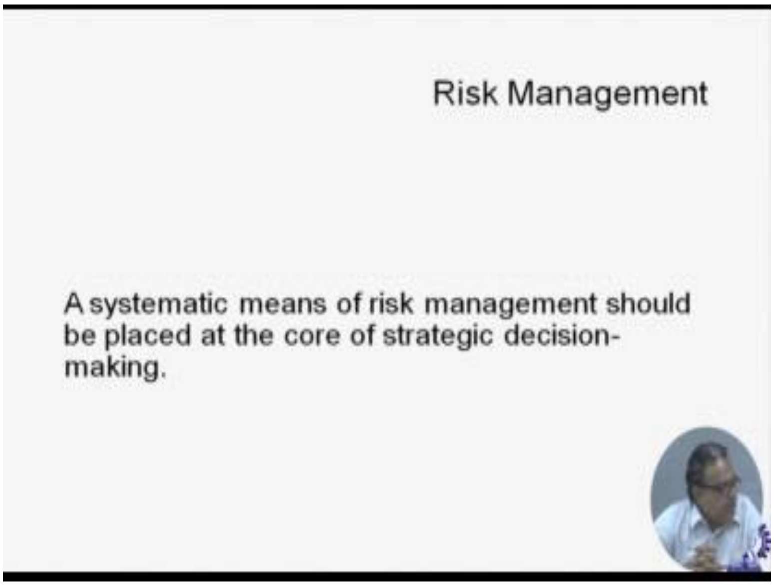

This take me to the risk management, and I will suggest you that you should have a risk management into the core of your strategic decision making. Now, when I am talking about the core of strategic decision making, I am talking about all around a risk management system. It might be the you know business risk which you require to manage, it might be the economic risk, it might be political risk, it might be the legal and regulatory risk, it might be the intellectual property protection risk of that particular market so much so forth.

So, whatever this particular risk is, you should have a kind of a risk management in place, and you should know who is going to bare what kind of risks; that means, are you going to bear all kind of risk, or your partner is going to share some of the risk, or how you are going (Refer Time: 22:51) a particular risk which you are going to face into this particular business, or if you require to have some kind of under writing protection for this particular risk.

And if you do take this particular under writing protection who is going to bear the finance for this particular underwriting protection, or how you are going to transfer the risk to the other people, who might be associated into this particular business. So, what I am trying to drawing you attention, that you should have a mechanism place, to manage this entire risk which you might find at the time of strategic alliance.

Thank you for your patience hearing.