

Reasons, circumstances, and rules that make alliances involving innovative, globally acting, high-tech SMEs potentially most successful

A Master's Thesis submitted for the degree of
"Master of Business Administration"

supervised by
Prof. Dr. Joachim Henkel

Andreas Stingl

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Vienna, June 2009

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Affidavit

I, **ANDREAS STINGL**, hereby declare

1. that I am the sole author of the present Master's Thesis, "REASONS, CIRCUMSTANCES, AND RULES THAT MAKE ALLIANCES INVOLVING INNOVATIVE, GLOBALLY ACTING, HIGH-TECH SMES POTENTIALLY MOST SUCCESSFUL", 113 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

Vienna, 30.06.2009

Signature

Dedication

This work is supported by FEMTOLASERS Produktions GmbH. Beyond that, I would like to thank my family and friends for all your support and patience during this research.

Especially, I dedicate this to Tília. Thank you for your love and support.

Abstract

Strategic alliances offer the possibility to combine strengths of different companies to become more successful jointly by compensating weaknesses. This technique is frequently utilized by major companies; less frequently by small and medium size enterprises (SMEs). The motivation to explore this topic more in detail is the burning question in the life of every SME. Acting globally in a competitive environment requires a certain degree of innovation to compete against major companies, which are sometimes 100 times or more, larger in revenue or number of employees. Maybe an alliance between SMEs and Large Enterprises (LEs) is exactly what will provide an avenue to growth!

The aim of the master thesis is to address the following research question from the point of view of an innovative, globally acting high-tech SME: What are the reasons, circumstances and rules that make the alliances involving exactly those SMEs successful?

During the research for this thesis, four strategic alliances have been explored by conducting eight expert-interviews with executives from high-tech SMEs.

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Chapter 1

Introduction

As a rule of thumb, large enterprises (LEs) are less flexible and slower in making changes, compared to innovative small and medium sized enterprises (SMEs). On the other hand, processes in major companies are well engineered and, in general, revenue streams are more predictable and thus future planning seems easier.

This thesis is over-shadowed by one of the most severe crises since world-war II. In the following research, 2 types of companies can be distinguished in terms of its clients:

a) Companies serving scientific or academic clients (products for R&D at universities or research centers, which are largely unaffected by the crisis). At least some countries which increased spending in this sector compensate for those that made cuts.

b) Companies serving non-scientific clients, capital equipment makers in the worst case. Orders intake in this sector came almost to a standstill for the first 2 months of 2009.

Companies who serve both those sectors can try to shift their business to a) from b).

1.1. Alliances in the high-tech sector

Just a few years ago, high-tech companies were forming strategic alliances at a feverish pace. No one could go it alone; alliances were the future. Or so they thought.¹

¹ Gomes-Casseres 2004, 4

Global acting firms:

For high-technology SMEs, it is imperative to act on a global basis. Otherwise the community of potential customers would be too small and the investment in R&D could not be returned in a regional market.

Literature is available about alliances between major companies on the one hand and about small firms on the other hand²³ however, it does not reflect on SMEs active in the high-technology sector in particular.

Brief overview about literature available:

This thesis explores the dynamics in strategic alliances between organizations of different size. This can be an alliance between SMEs and LEs or simply between SMEs where one of the partners is up to 10 times larger in revenue compared to the other alliance partner. Only few studies take into account this context of inter-organizational relationships.⁴

Ben Gomes-Casseres wrote mainly about alliances between LEs like IBM, Apple, Motorola, Intel, Microsoft, who dominated the high-tech sector over the past decades⁵ as well as strategic alliances between Mitsubishi and Daimler-Benz in the "mind tech" sector.⁶

Homin Chen and Tain-Jy Chen wrote their article about transaction cost versus resource-based perspective.⁷ Their paper focussed on Taiwanese firms that had been involved in international strategic alliances. Companies from the chemical, machinery, electrical and electronic products and transport equipment industries were reviewed; 394 responded that they had been involved in one or more international strategic alliance. Finally a total of 159 valid completed questionnaires had been collected. These constituted the sample of an empirical study.

² Gomes-Casseres 1997, 33

³ Fink & Kraus 2007, 674

⁴ Weterings 2005

⁵ Gomes-Casseres 2004, 4

⁶ Gomes-Casseres 1998, 11

⁷ Chen & Chen 2003, 1

Another field of research offers the “Star Alliance” the most successful airline alliance to date.⁸ Again, this research deals with rather large companies in the transport sector.

Many of the results presented analyse so-called marketing alliances, where companies with similar products ally to improve their strengths in a competitive market. I will exclusively analyze integrated alliances between globally acting high-tech SMEs.

1.2. High-tech SMEs

The narrow view:

High-tech SMEs are often founded as University spin-offs. Their culture is very academic – in contrast to large incumbents. Often their cost structure is supported by direct and indirect public funding and their products are “hand made by PhD students”. Often, marketing skills are a weakness in such organization. On the other hand, they offer reduced pricing enabled by their lean cost structure.

Incumbents see this development with skepticism and develop different strategies to defend against such low-cost activities by SMEs.

There is an old saying that goes, “united we stand, divided we fall”. However SMEs like to do things alone instead of seeking out partners. One of the reasons is paranoia. Many high-tech SMEs are afraid that partners will steal their intellectual property and therefore, they are reluctant to form strategic alliances when venturing into new markets or applications despite the advantages of doing so.^{9 10}

SMEs are also reluctant to build alliances partly because they have high-flying visions and are convinced that their technology is of extremely high value. Their attempt to keep secrecy is particularly apparent in contacts with major organizations.¹¹

⁸ Gomes-Casseres 2007, 12

⁹ Tai 2009, 3

¹⁰ OECD 2000, 108

¹¹ Ricardis 2006, 40

Trust plays an important role in alliances involving SMEs and is more likely to be found between companies of similar size, rather than between SMEs and major companies.

The dynamics in strategic partnerships between small and large organizations are multifaceted and fraught with complexities and contradictions. The partner organizations bring diverse interests and resources to the strategic partnerships which affect the dynamics of those relationships. Using the literature on strategic alliances, this thesis examines four such strategic partnerships in the high-tech business.

The goals of the Master's Thesis:

Incumbents can either try to buy SMEs in the case their technology seems interesting, or they just want to maintain price levels, potentially destroyed by SMEs with unsustainably lean, or simply unconsidered cost structures. Once those SMEs develop into mature organizations with little support from their [parent] university groups, they need to develop a new strategy to remain independent entities. Either they plan to grow and see their biggest potential in growth or exploitation of their technology by themselves, or their goal is to grow until the owners can sell the company for a decent price. In either situation the "David against Goliath" battle on the global battlefield has to be fought until their [growth] goals have been met.

Exactly during that time of change and uncertainty the possibility of alliances can help to reach the goals which might be difficult to meet alone.

Short description of the Master's Thesis:

In the following thesis, the potential of alliances involving SMEs will be analyzed, as a tool to circumvent the difficulties SMEs face in the battle against -or a clever alliance with- the incumbents of their industry.

Short description of the most important results:

Compared to large organizations that already have experience with, and make use of, alliances SMEs risk to maneuver themselves into a disadvantageous situation by not leveraging the potential advantages offered by strategic alliances. The

question is lesser to build or not to build strategic alliances, but how to build the right alliances. It seems SMEs cannot catch up with the experienced major organizations in building such alliances, which is however not entirely true. Results show that SMEs can leverage their potential and build very successful alliances based on four critical success factors, namely:

- A fundamental fit between the alliance partners, expressed in the prerequisites like a shared alliance purpose (*e.g.*, advantages expected), requirements and the culture shared by the organizations
- Critical Success Factors like the readiness to put efforts into the alliance for *e.g.*, solving problems and effective communication at all levels of the organizations as well as building trust
- Contacts and agreements as well as strategic planning must not be taken over by lawyers, but by executives. Lawyers play an important role of control *after* the executives have agreed about basic topics
- Finally independence - each organization must also have a plan B for the case the alliance breaks off – an independent life after the alliance never should be left unattended.

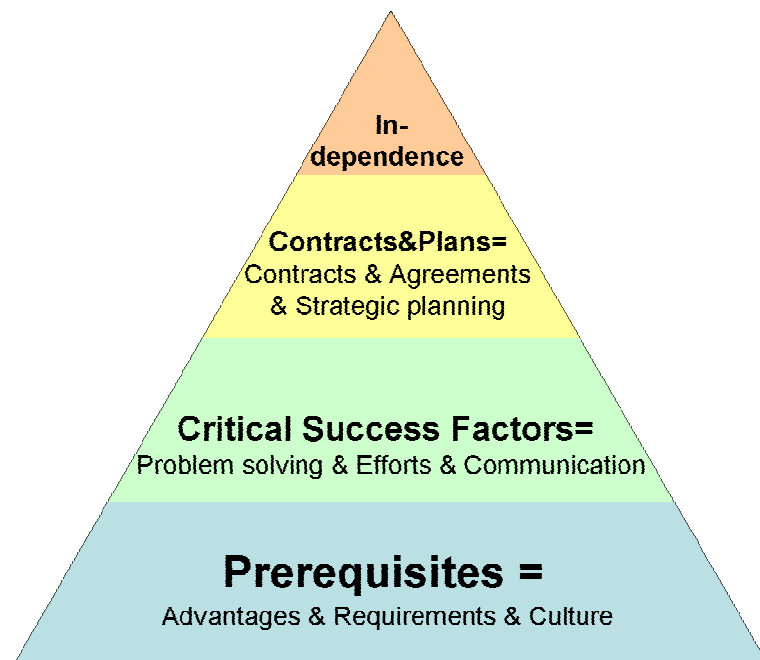


Figure 1.1: The most important success factors

Structure of the Master's Thesis:

In chapter 2, a theoretical model will be described and possible ways of alliances will be presented. Important general rules for successful alliances – from existing literature - will be presented.

In chapter 3 - the empirical part - expert interviews will be used to support those rules with interview partners and tested upon their validity. All alliances explored involve high-tech SMEs.

A conclusion will be presented in chapter 4 and recommendations will be extracted from the thesis.

Chapter 5 gives a brief summary, and an outlook about possible future development also taking into account the current economic situation.

Chapter 2

Theoretical Part

In this chapter possible ways of alliances are presented and important rules for successful alliances are described. This chapter shall give an overview about alliances between partners of different size as well as alternatives to alliances.

2.1. Alliances between partners of different size

2.1.1 Alliances between LEs

Every major company (LE), especially in high-tech fields, has alliances that play a key role to its strategy and performance. Studies show that the number of corporate alliances increases by some 25% a year.¹² We know that they exist and they their strengths as well as their weaknesses are well documented.¹³ Since the thesis focuses on SMEs, these alliances are not reviewed further in this work.

2.1.2 Alliances between major and small companies

Alliances between major and small companies are a potential fast track to growth for the SME. A number of hurdles come along with these alliances however. It is expected that a "David against Goliath" effect has to be considered carefully when entering, as well as when running, such an alliance.

¹² Huges 2007, 122

¹³ Gomes-Casseres 2000, 1

2.1.3 Alliances between small companies

This type offers a large potential in building clever alliances. Many weaknesses of SMEs can be overcome entering such an alliance – without the threat of having a dominant alliance partner. From the companies reviewed in this thesis however, it seems to be advantageous to have an alliance between a larger and a smaller partner. It seems such alliances can benefit better from different mindsets, if a common goal is kept in mind.

2.1.4 Alternative forms of collaboration

Alternatively to strategic alliances, various formal co-operations offer advantages, and bear risks at the same time. An overview about such alternatives is given in Table 2.1. The decision between alliance and acquisition is more likely in the hands of the larger alliance partner, rather than the SME or smaller alliance partner.¹⁴

Type	Time horizon	Motives / Advantages	Drawbacks / Risks
Contract research	Short	Reduction of cost, risk, lead time	Search costs; performance
Technology licensing	Middle	Technology sourcing	Costs and limits of contract
Research consortium	Middle	Expertise, standard, setting, public support	Leakage of know-how
Strategic alliance	Long	Market access	Leakage of know-how
Joint venture	Long	Complementary knowhow; independent mgmt.	Strategic divergences; cultural differences

Table 2.1: Types of formal cooperation: Pros and cons¹⁵

¹⁴ Dyer 2004, 108

¹⁵ Henkel 2009, 10

2.2. Goals of alliances – Resource based view (RBV)

A business alliance is an agreement between businesses, usually motivated by cost reduction, risk reduction, and improved products or services for the customer. It can be seen as an open-ended arrangement, governing co-operation between two or more companies.

- In high-tech, the most common drivers of alliance formation are the rising costs of R&D and investment in new technology.
- Over half of all alliances are dissolved within three to five years. This does not necessarily mean these alliances 'failed' - they may have been intended to be transitional or were followed by other alliances between the same partners.

2.2.1 Cost reduction

Cost reduction is primarily achieved by, but not restricted to, reduced R&D expenses, increased purchasing power, and savings in marketing. A model indicates that firms with complementary skills and resources in a strategic alliance will be better off in terms of R&D cost, profit, and competitiveness.¹⁶

2.2.2 Time to market

Time to market (TTM) is the time it takes from the moment a product is conceived to the time it is available for sale. TTM is important in industries where products are outmoded quickly (high-tech sector). Reduction of new product development cycle time and improvements in product performance have become strategic objectives for many technology-driven firms. These goals may conflict, however, and firms must explicitly consider the trade-off between them.^{17 18}

Alliances where partners bring in such complementary skills can potentially ease such conflicts.

¹⁶ Zhou 1992, 313

¹⁷ Chandrasekaran 2008, 1

¹⁸ Cohen 1996, 173

2.3. Problems arising within alliances

2.3.1 Incomplete contracting

Incomplete contracts (also relational contract) - also in the context of the transaction cost (TC) theory - are contracts between market participants where not all eventualities *ex ante* contractually are specified and/or considered. Complex contracts, in contrast, try to foresee all eventualities at the time the contract is designed. In reality however, it seems impossible to have all eventualities considered even in the most complex contract. Such complex contracts are typically more expensive and offered by experienced law firms. Major companies typically rely on complex contracts only.

2.3.2 Hold-up problems

Many investments are only valuable to a particular trading partner. Well known examples of such relationship-specific investments include development of tailor-made designs, plant location, and acquisition of firm-specific skills. Unless contracts are perfect, and often they are not, the specificity of these investments makes the investor vulnerable to *ex post* exploitation. This is the hold-up problem.¹⁹ Axelrod analyzes the elements that determined the success or failure of various strategies in the durable, iterated Prisoner's Dilemma simulation. He used his results to develop a Cooperation Theory "*based upon an investigation of individuals who pursue their own self-interest without the aid of a central authority to force them to cooperate with each other.*"²⁰

2.4. General rules for alliances

10 STEPS TO A SUCCESSFUL ALLIANCE:²¹ Starting with common rules for major companies, within this thesis it is investigated if differences or particularities can be observed when focusing on SMEs:

¹⁹ Ellingsen 2003, 1

²⁰ Axelrod 1984, 6

²¹ Gomes-Casseres 2004, 8

- Have a clear strategic purpose - alliances are never an end in themselves, they are tools in service of a business strategy
- Find a fitting partner - a partner with compatible goals and complementary capabilities (resources)
- Specialize - allocate tasks and responsibilities in the alliances in a way that enables each party to do what they do best
- Create incentives for cooperation - working together never happens automatically, particularly when partners were formerly rivals
- Minimize conflicts between partners - the scope of the alliance and of partners' roles should avoid pitting one against the other in the market
- Share information - continual communication develops trust and keeps joint projects on target
- Exchange personnel - regardless of the form of the alliance, personal contact and site visits are essential for maintaining communication and trust
- Operate with long time-horizons - mutual forbearance in solving short-run conflicts is enhanced by the expectation of long-term gains
- Develop multiple joint projects - successful cooperation on one project can help partners weather the storm in less successful joint projects
- Be flexible - alliances are open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities.

2.5. RBV vs. TC compared in SMEs vs. LEs

The *resource-based view (RBV)* is used to determine the strategic resources available to a firm. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal.²² An improvement in resources can be achieved by allying with a strategic partner, offering the required skills. As an alternative to the alliance, those missing skills can be developed within the

²² Wernerfelt 1984, 172

organization – for a certain price. RBV offers a view for evaluating the advantage of the alliance based on resources saved within the organization.

On the other hand, *Transaction costs (TC)* consist in the *ex-ante* costs of drafting and negotiating an agreement, and the *ex-post* costs of monitoring, bonding, and enforcing it.²³

The question to be asked now is, how does this balance look like for organizations of different size?

2.5.1 Working hypothesis I: relative TC for complex contracts are higher for SMEs

Within a strategic alliance, LEs have the advantage of potentially entering into larger projects compared to SMEs. The volume of the project within the alliance can be determined by *e.g.* its volume per time (month, year, etc.) which is usually higher for LEs. Also the time horizon is longer and contracts potentially run over a longer period in case of LEs – given their lack of flexibility. In this case, TC is therefore smaller in relation to the volume of the entire project. Complex contracts written by expensive law firms, can foresee more eventualities. The balance between cost saved by entering into the alliance and expenses for such contracts is still positive for such alliances involving LEs.

2.5.2 Working hypothesis II: Incomplete contracting is more likely in contracts between SMEs:

Incomplete contracting can never be excluded. Due to a more careful establishment of the contracts, those in alliances between LEs might be less incomplete compared to those written between two executives of SMEs.

On the other hand, problems arising out of incompleteness of the contracts might be more difficult to solve between LEs since the underlying structure is more complex. Incomplete contracting might be more easily solved between SMEs,

²³ Williamson 1985, 20

where people act more autonomous, compared to employees of LEs, where decision making within the framework of comparably rigid structures. This phenomenon can also be described by better developed improvisational skills present in employees of SMEs.

2.5.3 Working hypothesis III: SMEs alliances are built on trust:

Although TC is smaller relative to project volume in case of large companies, the risk from consequences of incomplete contracting is not smaller than in simple contracts between SMEs. Problems arising from incomplete contracting have a high probability of being solved simply by bilateral talks between closely acquainted owners, or responsible executives. Alliances between SMEs are based on trust rather than on detailed contracts. Owners speak to each other in person, as soon as difficulties from incomplete contracting arise. Alliances between SMEs based on simple contracts with relatively low TC can outpace those between major firms, based on complex, but still incomplete contracts, in case the SMEs have skills to solve disputes arising from such incomplete contracts.

Brian Uzzi writes about the concept of embeddedness beyond the level of a programmatic statement by developing a formulation that specifies how embeddedness and network structure affect economic action. Results reveal that embeddedness is an exchange system with unique opportunities relative to markets, and that firms organized in networks have higher survival chances than firms which maintain arm's-length market relationships do. The positive effect of embeddedness reaches a threshold, however, after which point the positive effect reverses itself.²⁴

²⁴ Uzzi 1996, 674

Chapter 3

Empirical Part

3.1. Methodology

3.1.1 General description of work:

The empirical part is performed in an *explorative* way. A relatively small number (8) of *expert interviews* is performed in a structured way.

For each company, the most influential positions (Founder/owner, CEO, VP S&M, COO/CTO, or CFO) shall be interviewed. It is not unusual, that a single person will cover more than one of the positions mentioned above. In such a case, it will be clearly indicated.

3.1.2 Qualitative analysis of content:

In contrast to quantitative methods, where typically a large number of test persons are answering questionnaires, a qualitative analysis of content is the method of choice for a relatively small number of expert interviews.²⁵ In such a case, a focus, rather than a hypothesis is required for preparing the interviews. A working hypothesis is helpful for the choice of the questions in the course of the preparation of the interviews. In a qualitative explorative approach questions can be modified during the first interviews. An inductive approach is chosen:

²⁵ Mayring 2000, 16

3.1.3 Inductive category development:

Within the framework of qualitative approaches it would be of central interest to develop the aspects of interpretation, the categories, as near as possible to the material. This is done in order to formulate the categories in terms of the material. For that scope qualitative content analysis has developed procedures of inductive category development, which are oriented to the reductive processes formulated within the psychology of text processing.²⁶

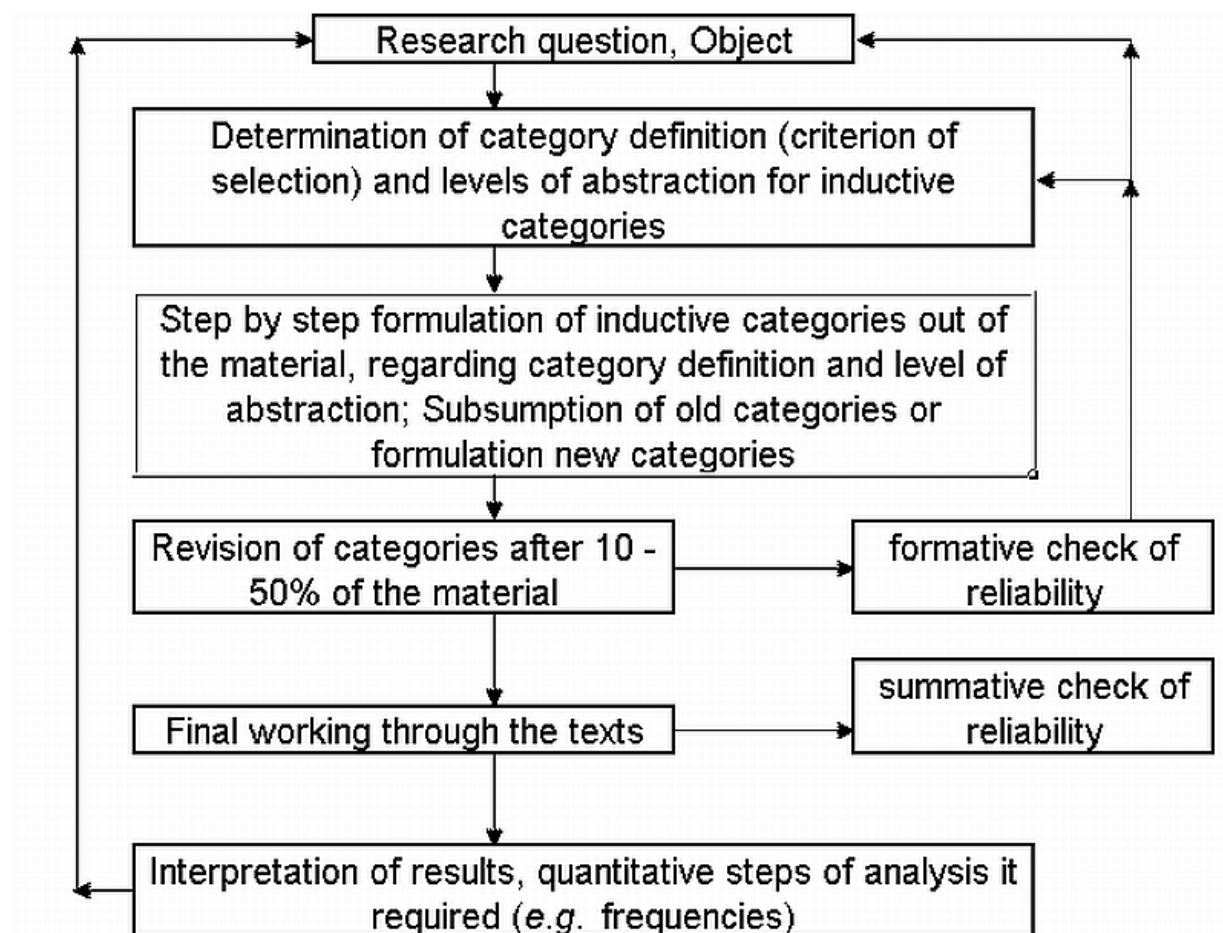


Figure 3.1: Step model of inductive category development ²⁷

The idea of the procedure is to formulate a criterion of definition, derived from theoretical part and the research question, which determines the aspects of the textual material taken into account. Following this criterion the material is analyzed and categories are tentative and step wise deduced. Within a feedback loop those categories are revised, eventually reduced to main categories, and

²⁶ Ballstead 1981, 83

²⁷ Mayring 2000, 4

checked in respect to their reliability. If the research question suggests quantitative aspects (e.g. frequencies of coded categories) it can be analyzed.²⁸

3.2. Preparations for the interview

3.2.1 Sources of questions

In order to carefully prepare the expert interviews, questions have to be formulated. Resources for formulating the questions are:

- The research question
- The working hypothesis derived from the theory (Chapter 2)
- Rules from the literature (Chapter 2).

1) The research question

The aim of the master thesis is to clarify the following research question from the point of view of an innovative, globally acting, high-tech-SME: What are the reasons, circumstances, and rules that make alliances involving such SMEs potentially most successful?

2) The working Hypotheses

- TC for complex contracts are higher for SMEs (relative to the volume of the alliance)
- Incomplete contracting is more likely in contracts between SMEs
- SME-alliances are built on trust.

3) Rules from the literature

The rules about alliances are derived from the literature,²⁹ as listed in paragraph 2.4 of this thesis.

²⁸ Mayring 2000, 4

²⁹ Gomes-Casseres 2004, 8

3.2.2 Preparations for the interview – groups of questions

The interviews were held as discussions, rather than strictly working through the questionnaire point by point. The questionnaire helped to cover all topics, but questions were not asked directly, unless the discussion did not include them. Minor bullet points helped to explain or give samples for discussion. In general all the major bullet points were communicated, except in the case the interview partner entered into the topic unprovoked. Starting from the sources of questions before, 4 groups can be derived:

1) Internal expectations - strategic purpose

Internal expectations describe the “micro-view”, the view from within the company. Alliances are never an end in themselves, they are tools in service of a business strategy questions related to this topic are as follows.

- How would you define a successful alliance?
- The strategic purpose of the alliance:³⁰
 - How would you describe your (and your partner’s) actions within the alliance?
 - Could you describe your strategic goals? (motivation, e.g.: cost- or time-saving)
- In your opinion, which are the most important efforts for keeping an alliance afloat?
 - Personal communication with the partner
 - Good contracts as a frame of the alliance
 - Other efforts

³⁰ In this case, questions start with the lowest-level bullet points. That fosters a more practical rather than a philosophical access to the top-level bullet point. E.g.: if the question is about the strategic purpose of an alliance, one might get an answer how the interview partner “would like to” see the alliance. Otherwise when asking about certain actions or task one can bring it to the point in a bottom up approach, without discussing about visions and future goals and learn more closely how the alliance works at the present time.

- How do you see efforts (e.g.: TC) for complex contracts in relation to the results achieved by the alliance?
 - Efforts higher than earnings
 - Earnings higher than efforts

2) External expectations

External expectations describe the “macro-view”, the view from outside of the company. Questions related to this topic are related to ones position in the market and the competition:

- Please focus on your most important alliance. What is/was your primary expectation from that alliance?
 - Is your alliance a marketing alliance? If yes:
 - Could you improve your market share?
 - Could you reduce marketing expenses?
 - Could you increase visibility?
 - Could you increase your customer base?
 - Could you increase your pipeline?
 - Could you improve your brand image?
 - Is your alliance an integrative alliance (e.g.: within your supply chain)?
 - Could you improve your market share?
 - Could you increase your pipeline?
 - None of the cases above, but...

3) Critical success factors

- Do you believe that continual communication develops trust and keeps joint projects on target?
 - Did you share information?
 - Did you receive information important to meet your goals?
 - Did you exchange personnel? In which way?

- Did you create/receive incentives for cooperation (working together never happens automatically, particularly when partners were formerly rivals)
 - Is/was your alliance partner a former rival?
 - Is/was your alliance partner a provider / customer?

- Do you have experience with alliances between companies of different/similar size? Could you report about your positive/negative experiences?
 - Is your alliance an alliance between SMEs?
 - Is your alliance an alliance between a major company and an SME?
 - Is your alliance an alliance between more than 2 partners?

- What do you believe that is essential for maintaining communication and trust?
 - personal contact
 - site visits

- Did you find a fitting partner and how would you describe him/her?
 - How do you see the importance of compatible goals?
 - How do you see the importance of complementary capabilities?

- How did you minimize conflicts between partners (the scope of the alliance and of partners' roles should avoid pitting one against the other in the market)?
 - Did you design complex contracts to avoid it?
 - Did you design a frame and adapt it continuously?

- Could you specialize?
 - Did you allocate tasks and responsibilities in the alliances in a way that enables you to do what you do best?
 - Did you allocate tasks and responsibilities in the alliances in a way that enables your partner to do what he does best?

- Please focus on a short-run conflict:
 - Did you operate with short-, medium- or long time-horizons?
 - Did you apply mutual forbearance for enhancing the solution by the expectation of long-term gains?
 - Did you focus on short term (quarterly) goals?

- In order to weather the storm in less successful joint projects
 - Did you develop multiple joint projects (successful cooperation on one project can help compensate less successful ones)?
 - Did you focus on a single project?

- About flexibility –
 - Do you consider alliances as open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities?
 - Do you consider alliances having a well defined dead line and need to stick with it whatever comes?

- About legal issues:
 - Is your alliance based on a complex contract?
 - Has incomplete contracting been a problem in your alliance?
 - Have your alliances been based on trust or on legal contracts?
Please try to point out the importance of those 2 elements relative to each other.

4) Results

- Under which circumstances can an alliance between innovative SMEs successfully compete with global incumbents in the high-tech business and which rule [above] for such a venture is potentially most important (*i.e.*, which is the most critical success factor)?
- What are the most important insights from your past alliances?
- What are your most important recommendations for existing and future alliances for a SME acting globally in the high-tech business?

3.3. Interviews

To gain comparable results, a guideline for the interviews has been elaborated. Most of the interviews were conducted over the phone, all of them were recorded. The date for the interview had been scheduled in advance with an approximate duration of 40-60 minutes, so the candidate could answer questions without any time pressure. The standardized procedure is described in the following steps:

- Welcoming
- Explanation about the project – MBA thesis
- Opening: what are the goals and the no-goals (*e.g.*, no discussion about technological issues)
- Interview will be recorded – question if the candidate agrees
- Companies are categorized (anonymous approach)
- Neither company nor personal names will be published in the master thesis
- After transcription, the interviewee has sufficient time to proof read the interview before further processing in the frame of the thesis
- Incentive for the interviewee is a copy of the master thesis (SME alliance research)
- Publishing shall be possible without restrictions

3.3.1 Alliances including SMEs

Four alliances have been reviewed in this work, which have at least one SME involved. All alliances are integrative alliances, where the SME is always the supplier for the other SME or LE:

Alliance	Supplier		Customer		Size ratio	Joint total	Supplier exposure
code	code	Revenue [mEURO]	code	Revenue [mEURO]	Total revenue C/S	Revenue [mEURO]	% of Supplier's revenue
A1	S1	1.5	C1	10	7	11.5	10%
A2	S2	15	C2	150	10	165	55%
A3	S3	7	C3	450	60	457	10%
A4	S4	6.5	C4	1000	150	1006	10%

Table 3.1: Table of Alliances

3.3.2 Companies involved in the research:

According to their role in the integrative alliance, partners are divided into suppliers and customers:

1) Part A – Suppliers:

The four suppliers reviewed are documented in table 3.2. In all cases they are the significantly smaller partner in an integrative alliance.

Company code	S1	S2	S3	S4
Year founded	1999	1991	1992	2002
Year merged	-	2003	-	-
Revenue	EUR 1.5m (2008)	US\$ 20m (2003)	EUR 7 m (2008)	US\$ 8 m (2008)
# of employees	9	45	40	26
Sector	Electronic equipment manufacturer	Electronic equipment manufacturer	Electronic equipment manufacturer	Optics manufacturer
Location	Western Europe	U.S.A.	German speaking Europe	U.S.A.

Table 3.2: Table of Suppliers

Company S1, C1 – alliance A1 – interview I1:

Company S1 is a small electronics equipment maker. Within the strategic alliance A1 it supplies products to and benefits from sharing marketing cost with company

C1 which is about 8 times larger. Both companies are located in Western Europe. Interview I1 was conducted with the CMO of company S1. The CTO and co-founder of company S1 was a former boss of the CEO of company C1. In interview I1 **trust and long term relationship** turned out to be the most important qualities for keeping the alliance afloat.

Company S2, C2 – alliance A2 – interview I8:

Company S2 was a small US electronics equipment maker. Within the strategic alliance A2 it supplied products to company C2 which is about 10 times larger. Interview I8 was conducted with the former CEO and founder of company S2. Company S2 had an extraordinary history: during the course of the alliance, Company S2 grew to about 25 times its original size. S2 entered into the alliance as a start up and was sold at the end of the alliance. Remarkable however, is that company S2 was not bought by its alliance partner company C2, but by the arch rival of company C2. In the alliance between S2 and C2 **independence** turned out to be the biggest concern of company S2 within the alliance. This is clearly understandable, since company S2 had, by far, the biggest exposure within the suppliers investigated in this research. 55% of the products manufactured by company S2 were delivered to its alliance partner company C2.

Company S3, C3 – alliance A3 – interview I6

Company S3 is a small electronics equipment maker located in German speaking Europe. Within the strategic alliance A3 it supplies products to the US-company C3 which is about 90 times larger. Interview I5 was conducted with the CFO and co-founder of company S3 while Interview I6 has been conducted with the CEO & CTO and co-founder of company S3. In this alliance **access to the international market** for the SME has turned out to be the biggest gain for company S3 within the alliance.

Company S4, C4 – alliance A4 – interview I2, I3:

Company S4 is a small optical equipment maker located in the USA. Within the strategic alliance A4 it supplies products to the US-company C4 which is several 100 times larger. Interview I2 was conducted with the CEO and co-founder of company S4 while Interview I3 was conducted with the CFO and co-founder of company S4. In this alliance **long term growth for the SME driven by a successful partner** turned out to be the biggest motivation for company S4 within the alliance.

2) Part B – Customers:

Company code	C1	C2	C3	C4
Year founded	2000	1961	1966	?
Year merged	-	2004	-	-
latest revenue	EUR 10 m (2008)	US\$ 200 m (2004)	US\$ 590 m (2008)	US\$ multi-bn (2008)
# of employees	45	1000	2400	10000
Sector	Computers and electronic equipment	Computers and electronic equipment	Computers and electronic equipment	Semiconductor capital equipment maker
Location	Western Europe	U.S.A.	U.S.A.	U.S.A.

Table 3.3: Table of Customers

Company C1, S1 – alliance A1 – interview I4

Company C1 is an electronics equipment maker. Within the strategic alliance A1 it receives products and benefits from sharing marketing cost with company S1 which is about 8 times smaller. Both companies are located in Western Europe. Interview I4 was conducted with the CEO and founder of company C1. In the opinion of company C1 **the selection of the alliance partner and the exploration of potential reasons of divorce** have been identified for being the most important factors for a successful alliance.

Company C2, S2 – alliance A2 – interview I7

Company C2 is an electronic equipment maker. Within the strategic alliance A2 it receives products from company S2 which is about 10 times smaller. Both companies are located in the USA. Interview I7 was conducted with the CEO of company C2. Company C2 was merged with another US-company which led to joint revenue of close to US\$ 400m in 2008. After alliance A2 broke in 2003, company C2 started to develop and manufacture the products themselves that were previously provided by company S2. In the opinion of company C2 **establishing contracts by the responsible managers rather than by law firms** was identified as the most important factor for a successful alliance.

Company C3, S3 – alliance A3

Company C3 is an US electronic equipment maker listed at NASDAQ. Within the strategic alliance A3 it receives products from company S3 which is about 60 times smaller.

Company C4, S4 – alliance A4

Company C4 is an US capital equipment maker for the semiconductor industry. It is a multi-billion US\$ company. Within the strategic alliance A4 it receives products from the company S4 which is several 100 times smaller. No interview was conducted with this company, since the company name and contact person was kept confidential by company S4.

Detailed interviews can be read in Appendix I of this thesis. As mentioned above, alliance A2 has broken off; alliances A1 and A3 both widely serve a scientific, academic market and are widely unaffected by the current economical situation. Alliance A4 however suffers severely from the current economical situation. This is also clearly reflected in interview I3 conducted with the CFO of company S4

Figure 3.2 shows a visualization of the constellation of the companies involved. The vertical axis shows the ration of the company's revenues. The horizontal axis shows the joint total revenue of the alliance, while the size of the bubble indicates the exposure of the supplier company - which percentage of its total revenue is delivered into the alliance. Alliances A1 to A4 are shown from the left to the right. Alliance A2 shows the largest exposure of 55%, while all other suppliers show a similar exposure of about 10%.

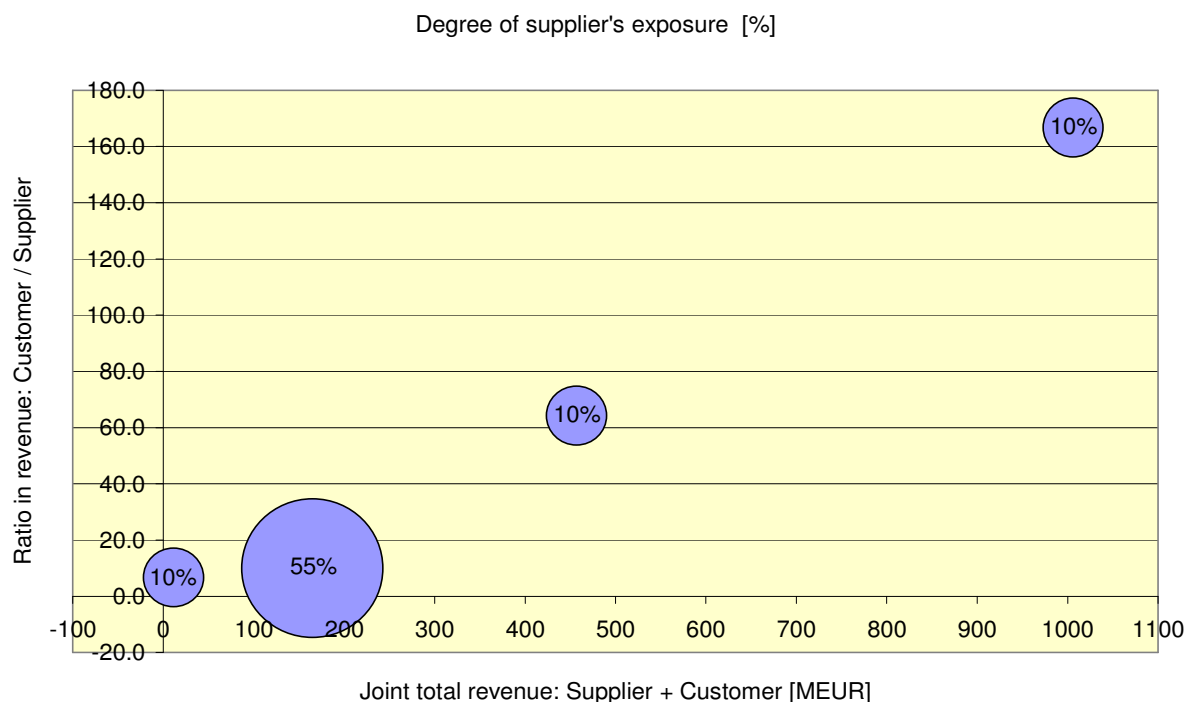


Figure 3.2: Alliances analyzed: relative and joint revenue, exposure

3.4. Summarizing qualitative content analysis

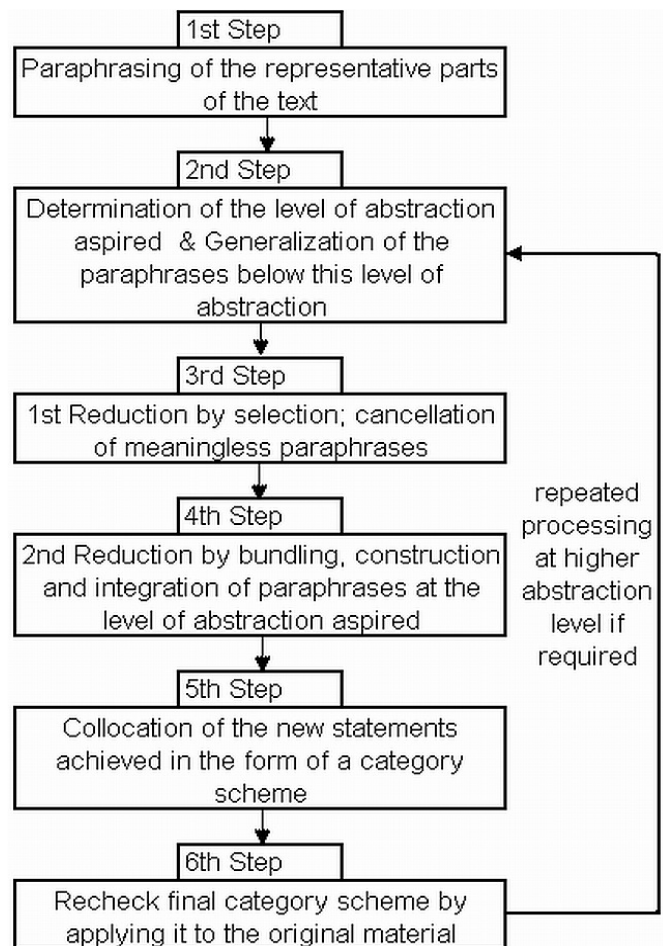


Figure 3.3: Step model of summarizing qualitative content analysis³¹

For the start of the reduction, interview I8 was chosen. This interview is the longest, most comprehensive, and most exciting interview. It deals with an incredibly successful alliance between an SME and a 10 times larger company, which lasted for more than 10 years. In the end, the interviewee sold company S3 after the lifetime of the alliance.

3.4.1 Paraphrasing

see Appendix II

³¹ Mayring 2000, 60

3.4.2 Results of reduction, generalization & categorization

1st Reduction	Generalization	2nd Reduction
<p>C1: Advantages of the alliance:</p> <ul style="list-style-type: none"> -cost saving in R&D -time to market -growth in revenues -predictable sales & payments -use partner's marketing & service network 	<p>Successful if:</p> <ul style="list-style-type: none"> cost saving time to market reduced growth accelerated 	<p>C1'=C1&C2&C9</p> <p>Fulfill Prerequisites:</p> <ul style="list-style-type: none"> similar goals & synergetic capabilities cost saved or time to market reduced mutual understanding & culture
<p>C2: Requirements for the alliance:</p> <ul style="list-style-type: none"> -same goals e.g.: growth -understand your partner's benefits -synergetic technology & products -natural incentives: seller' revenue & buyer's supply 	<p>Requirements for success</p> <ul style="list-style-type: none"> similar goals synergetic capabilities mutual understanding natural incentives for alliance 	
<p>C3: Problems within the alliance:</p> <ul style="list-style-type: none"> -quality issues -lack of resources allocated to the alliance (e.g. training) 	<p>Unsuccessful if:</p> <ul style="list-style-type: none"> lack of resources allocated 	
<p>C4: Contracts & Agreements</p> <ul style="list-style-type: none"> -define tasks and rules upfront and think how it will work in practise -simple, written, understandable -sit down yourself and involve lawyers on both sides for approval only -no complex contracts with continous addendum for solution of new problems -develop an exit strategy 	<p>Contracts:</p> <ul style="list-style-type: none"> simple, written understandable definitions upfront develop realistic frame yourself and involve lawyers for approval only develop continous addendum for adaption of to new situations develop exit strategy 	<p>C2'=C4 & C8</p> <p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> frame defintion upfront with continous addendum simple, written contracts developed together with your partner approved by lawyers plan & re-evaluate goals

1st Reduction	Generalization	2nd Reduction
<p>C5: Following substantial efforts guarantee for gain:</p> <ul style="list-style-type: none"> -development of relationship & trust -communication -allocation of efforts to short-, mid- and long term goals to master [daily] operation 	<p>Efforts required:</p> <ul style="list-style-type: none"> development of relationship & trust communication Mastering daily operations 	<p>C3'=C3&C5&C7</p> <p>Critical Success Factors</p> <ul style="list-style-type: none"> building trust communication on all levels = #1 CSF allocation of sufficient resources to master operations
<p>C6: Maintain independence by:</p> <ul style="list-style-type: none"> -develop your brand as a supplier -limit revenue exposure with alliance partner -diversify as soon as your company grows 	<p>Maintain independence by:</p> <ul style="list-style-type: none"> -developing your brand as a supplier -limit revenue exposure with alliance partner 	<p>C4'=C6</p> <p>Maintain Independence:</p> <p>Set actions to make your organization survive without the alliance if necessary</p>
<p>C7: Most critical success factor = communication for exchange of information on different levels in the company established through meetings for:</p> <ul style="list-style-type: none"> -management (occasionally) - let your partner know when you feel something is wrong immediatelly -production (weekly) -service (weekly) 	<p>Most critical success factor = communication for exchange of information on different levels in the company established through meetings</p>	
<p>C8: Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap -re-evaluate goals met 	<p>Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap & re-evaluate goals 	
<p>C9: Culture of companies important for trust</p>		

Table 3.4: Table of 1st reduction & refining of Categorizations C1...C9

Results from the 1st reduction

Categories		Interviews								Sum
		I1	I2	I3	I4	I5	I6	I7	I8	
Advantages	C1	4	4	7	8	9	8	5	20	65
Requirements	C2	9	5	2	5	15	3	8	4	51
Problems	C3	0	4	0	0	0	0	4	8	16
Contracts	C4	6	11	6	17	5	3	9	12	69
Efforts	C5	4	9	3	2	4	7	4	8	41
Independence	C6	5	0	3	4	9	5	11	9	46
CSF	C7	3	2	2	2	3	5	4	10	31
Plan & control	C8	1	5	2	1	1	1	3	0	14
Culture	C9	5	0	0	1	2	3	0	0	11
		37	40	25	40	48	35	48	71	

Results from the 2nd reduction

Prerequisites	C1'	18	9	9	14	26	14	13	24	127
Contracts & plans	C2'	7	16	8	18	6	4	12	12	83
Critical Success Factors	C3'	7	15	5	4	7	12	12	26	88
Independence	C4'	5	0	3	4	9	5	11	9	46

Prerequisites = Advantages + Requirements + Culture
 Contracts & plans = Contracts + Plan & control
 Critical Success Factors = Problems + Efforts + CSF
 Independence = Independence

Table 3.5: Table of final Categories C1'...C4' including its statistics

As a result drawn from table 3.5, fulfilling the "prerequisites" is the most important category .127 counts, or 37% of the text passages support this category. The second important is the "critical success factors" (communication, etc.) with 88 counts, or 26%, supporting this category. Almost of equal importance are the right "contracts & plans" supported by 83 counts, or 24%, of the text passages identified. Still 46 counts, or 13%, of the text passages support the category "independence". Further conclusions drawn from these results can be found in chapter 4.

Chapter 4

Results and Conclusion

Alliances between companies have become crucial to business success, particularly in high-tech industries.³² These play a key role to the company's strategy and performance, [small] companies without alliances will face a clear disadvantage, if they don't make use of such tools.

The current economic climate has also influenced this research. SMEs involved in alliances with customers in the industrial area are more affected by the crises than those whose customers largely serve academic clients.

As a conclusion, the most important final categories are described and discussed in this chapter.



Figure 4.1: The most important SF for a successful alliance

³² Gomes-Casseres 2000, 1

4.1. Prerequisites

The prerequisites are the single most important category. They are derived from category C1: "advantages", C2: "requirements" and C9: "culture":

1st Reduction	Generalization	2nd Reduction
		C1'=C1&C2&C9
C1: Advantages of the alliance: -cost saving in R&D -time to market -growth in revenues -predictable sales & payments -use partner's marketing & service network	Successful if: cost saving time to market reduced growth accelerated	Fulfill Prerequisites: similar goals & synergetic capabilities cost saved or time to market reduced mutual understanding & culture
C2: Requirements for the alliance: -same goals e.g.: growth -understand your partner's benefits -synergetic technology & products -natural incentives: seller' revenue & buyer's supply	Requirements for success similar goals synergetic capabilities mutual understanding natural incentives for alliance	
C9: Culture of companies important for trust		

Table 4.1: Refinement of the category "Prerequisites"

The research shows, that this category is the single most important. ***In other words, if you don't share the partner's goals, can't profit from the alliance, or if your culture is very different to the one of your alliance partner, you should not enter into such an alliance.***

4.2. Critical success factors

The second most important critical success factors are derived from category C3: "problems within the alliance", C5: "efforts" and C7: "CSF-communication"

1st Reduction	Generalization	2nd Reduction
C3: Problems within the alliance: -quality issues -lack of resources allocated to the alliance (e.g. training)	Unsuccessful if: lack of resources allocated	
		C3' = C3&C5&C7
C5: Following substantial efforts guarantee for gain: -development of relationship & trust -communication -allocation of efforts to short-, mid- and long term goals to master [daily] operation	Efforts required: development of relationship & trust communication Mastering daily operations	Critical Success Factors building trust communication on all levels = #1 CSF allocation of sufficient resources to master operations
C7: Most critical success factor = communication for exchange of information on different levels in the company established through meetings for: -management (occasionally) - let your partner know when you feel something is wrong immediately -production (weekly) -service (weekly)	Most critical success factor = communication for exchange of information on different levels in the company established through meetings	

Table 4.2: Refinement of the category "Critical Success Factors"

The research shows, that this category is the second most important. ***In other words, you must never stop investing your efforts into the alliance. Of the most important efforts are continuous communication as the #1 CSF, building trust, as well as allocating sufficient resources for a smooth operation within the alliance.***

4.3. Contracts & plans:

Contracts & plans are derived from category C4: "contracts & agreements" and C8: "strategic planning"

1st Reduction	Generalization	2nd Reduction
<p>C4: Contracts & Agreements</p> <ul style="list-style-type: none"> -define tasks and rules upfront and think how it will work in practise -simple, written, understandable -sit down yourself and involve lawyers on both sides for approval only -no complex contracts with continuous addendum for solution of new problems -develop an exit strategy 	<p>Contracts:</p> <ul style="list-style-type: none"> simple, written understandable definitions upfront develop realistic frame yourself and involve lawyers for approval only develop continuous addendum for adaption of to new situations develop exit strategy 	<p>C2'=C4 & C8</p> <p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> frame definition upfront with continuous addendum simple, written contracts developed together with your partner approved by lawyers plan & re-evaluate goals
<p>C8: Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap -re-evaluate goals met 	<p>Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap & re-evaluate goals 	

Table 4.3: Refinement of the category "Contracts & Plans"

This research shows that this category is the third most important. ***In other words, you as a CEO – not your law firm – have to sit down with your equally leveled contact from the alliance partner and put the contract to paper. Lawyers will look through it at the very end to prove-read it. Those contracts have to be well in tune with your company’s strategy.***

4.4. Independence:

Independence is directly taken over from category C6: "maintain independence"

1st Reduction	Generalization	2nd Reduction C4'=C6
C6: Maintain independence by: -develop your brand as a supplier -limit revenue exposure with alliance partner -diversify as soon as your company grows	Maintain independence by: -developing your brand as a supplier -limit revenue exposure with alliance partner	Maintain Independence: Set actions to make your organization survive without the alliance if necessary

Table 4.4: Refinement of the category "Independence"

This research shows that this category is the least important factor however it should not be unattended. ***In other words, you need to make sure, that your organization remains sustainable even without the alliance partner of choice. Developing your own brand can be a measure to maintain independence.***

Chapter 5

Summary & Discussion /

Outlook

Chapter 5 gives a brief summary, and an outlook about possible future development also taking into account the current economic situation.

5.1. Summary & Discussion:

As a summary and discussion the results derived in this research are compared with results from existing literature as well as the working hypotheses are proven for validity.

5.1.1 Comparison with results from the literature

Results of the present research are compared to the ten golden rules for successful alliances from Benjamin Gomes-Casseres.³³ To facilitate the comparison, the rules are shown so similarities can be recognized in table 5.1.

³³ Gomes-Casseres 2004, 8

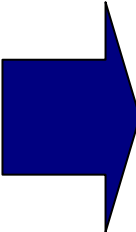

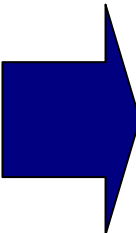

Ten "golden rules" for a successful alliance	Assignment	High-tech SMEs explored in this research (SME-research)
<p>Find a fitting partner - a partner with compatible goals and complementary capabilities (resources)</p> <p>Specialize - allocate tasks and responsibilities in the alliances in a way that enables each party to do what they do best</p> <p>Have a clear strategic purpose - alliances are never an end in themselves, they are tools in service of a business strategy</p>		<p>Fulfill certain prerequisites</p> <ul style="list-style-type: none"> • similar goals & synergetic capabilities • Cost saved or time to market reduced • Mutual understanding & sharing same culture
<p>Exchange personnel – regardless of the form of the alliance, personal contact and site visits are essential for maintaining communication and trust</p> <p>Share information – continual communication develops trust and keeps joint projects on target</p> <p>Develop multiple joint projects – successful cooperation on one project can help partners weather the storm in less successful joint projects</p>		<p>Critical Success Factors</p> <ul style="list-style-type: none"> • building trust • communication on all levels = #1 CSF • allocation of sufficient resources to master operations
<p>Be flexible - alliances are open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities</p> <p>Operate with long time-horizons - mutual forbearance in solving short-run conflicts is enhanced by the expectation of long-term gains</p> <p>Minimize conflicts between partners - the scope of the alliance and of partners' roles should avoid pitting one against the other in the market</p> <p>Create incentives for cooperation - working together never happens automatically, particularly when partners were formerly rivals</p>		<p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> • frame definition upfront with continuous addendum • simple, written contracts developed together with your partner • approved by lawyers • plan & re-evaluate goals
		<p>Maintain Independence: Set actions to make your organization survive without the alliance if necessary</p>

Table 5.1: Comparison between the "golden rules" and the SME research

All ten “golden rules” could have been assigned to the results of the presented SME-research. For the SME’s wishing to maintain independence however no equivalent rule has been identified within Benjamin Gomes-Casseres “golden rules”. A particular reason for the SMEs explored in this study could be the difference in size between the alliance partners, which might make smaller SMEs more cautious.

5.1.2 Working hypotheses:

The working hypotheses from chapter 2 are proven upon validity:

- TC for complex contracts are higher for SMEs (relative to the volume of the alliance)
- Incomplete contracting is more likely in contracts between SMEs

Surprisingly the disadvantages for SMEs in the 2 hypotheses above can be circumvented by allowing executives to work out the contract together, before they are read by lawyers only for a final approval. This not only saves costs (working hypothesis 1) but also potentially yields more practical contracts as a basis for the daily life. Although the first two hypotheses might be true, they don’t seem to create a significant disadvantage for SMEs.

- SME-alliances are built on trust

It can be confirmed – at least by interview I1 – that trust and mutual understanding plays an important role for SMEs. Also other interviews (e.g. alliance A3) prove that trust has developed over time and plays an important role to facilitate the daily life within the alliance and finally may decide success or failure.

5.2. Outlook & economic situation

The current economic situation - facing recession over wide areas of the developed world - might foster more radical ways of how business is done.

Even the most paranoid owner, founder or executive of a SME might consider alliances with other SMEs or LEs when he sees his venture at risk of going bankrupt. Even if alliances are considered as a solution of last resort to some SMEs, in the current economic situation of recession it might be motivation to ally for more owners or executives of such SMEs as compared to boom times. The currently difficult situation thus offers a new chance to learn about the possible advantages as well as disadvantages of strategic alliances. What is true for synergetic partnerships between executives within companies can, to a certain extent, also be applied to partnerships between companies. Darrell K. Rigby et al. writes about relationships in such turbulent times in his article.³⁴

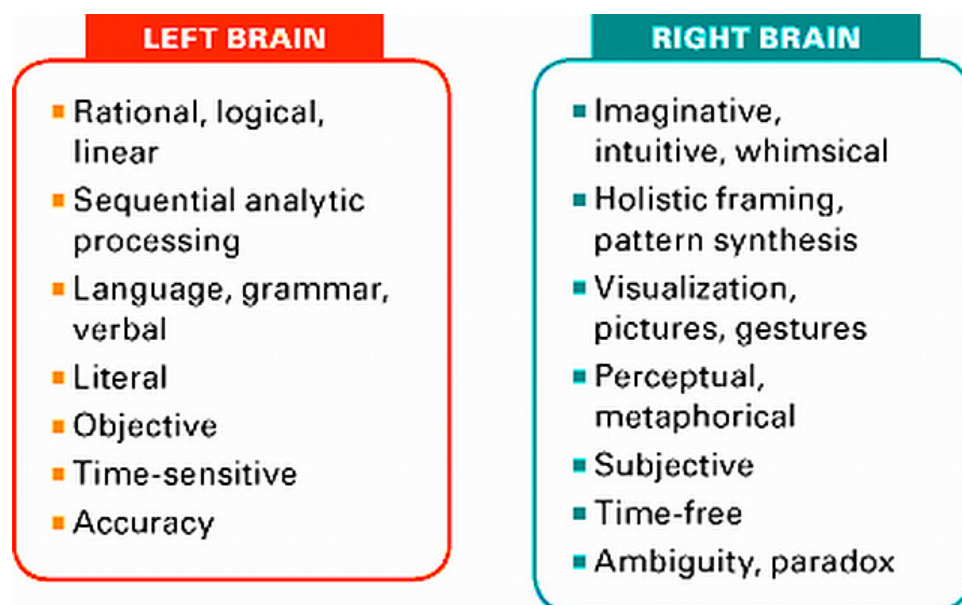


Figure 5.1: Synergetic left- and right brain competencies³⁵

The LE can contribute by offering the rational “left brain” and the SME the creative “right brain” within a strategic alliance in the field of innovative high-tech businesses.

³⁴ Rigby 2009, 79

³⁵ Rigby 2009, 84

Annex I - Listings of Interviews

This chapter contains of the interviews recorded during April and May 2009. Interviews are anonymized and categorized by their company's activities

Interview 1

Date: March 25, 2009
Time at destination: 6 p.m.
Interviewer: AST
Interview-partner code: I1
Interview-partner position: CMO
Duration: 55'
Situation: Phone-call
Atmosphere: at Airport

Statistics:
Company code: S1
Year of establishment: 1999
Sector: Electronics equipment
Revenue: EUR 1.5m
Employees: 9
Location: Western Europe

1) Internal questions – strategic purpose

Q1: How would you define a successful alliance; the expectations from your point of view? What would be successful from your PoV?

A: My answers will not be prioritized.

I think the 1st very important thing is the relationship between the persons involved.

There is a personal relationship, off course mutual trust is driving such an alliance. And mutual trust only comes from a long term relationship which can be either a business relationship or a personal relationship or both.

With Our alliance partner as I indicated before, we are a little bit like a family in the sense that our partner's CEO has been working under the responsibility of our founder. When our partner's CEO was working for his former [large] employer, he placed the 1st order for our main product, when our main product was on paper, and this in fact emphasizes the relationship which was based on mutual trust, because I would not know any B2B relationship in which the customer would place an order for a specific technology that has not been demonstrated apart from the idea and the concept and the preliminary results obtained in the lab and so this was really a strong move from our partner's CEO where I would say trust into this nascent company and to place an order our company in order to help them with the financial means to develop the product. This is the inflection of our company and in order to build a company you need to have at least functional prototypes in order to be able to make business and even with functional prototypes you need to have a mutual trust or relationship to initiate such process. In our case it started from personal relationship and mutual trust with high cross competencies so we have to speak the same technological language and we have to share mutual competencies at the same level.

Those are the success factors, if you don't have that, you will not succeed in a strategic alliance.

Q2: That very well described the start of your alliance. Do you have certain activities or actions now when the alliance is on the way already?

A: This is something, I would like to keep confidential – Yes we have activities going on.

Q3: Are there some strategic goals for your alliance? (e.g. cost saving or other savings as a reason for starting the alliance) The reason, the goal (you will not start an alliance because you have a partner you can trust).

A: There must be complementarities between technologies or the products

Q4: May I interrupt you, this is also not a reason why I enter an alliance – the question is what do I want to achieve?

A: You mean in regards to the business, e.g. synergies in development, synergies in terms of the customer base (marketing), synergies of not duplicating development, an alliance [advantage] compared to competition, that means the market and the technologies we don't share, at least the product of each company and the market needs can lead to identical development or identical goals and in order to mutualize development caused by synergies in development and not to duplicate development we may have an interest in building an alliance.

Q5: Coming back to actions during the alliance, which you don't want to name specifically, but I am now more interested in communicational respects between the partners, who is talking to whom, at which level is this alliance lively?

A: First you have to start with discussion at top level, because a strategic alliance will heavily impact your balance sheet. That must start from top management and the goals from the alliance shall be clearly identified and negotiated at the top level. Starting from that point, we have to address the way we do mutually work together by identifying the key competencies and some kind of project manager –because that is a project as well- from each company and each company should aim at the same objective and share different responsibility

Q6: How does the information from top management move down the structures?

A: We have a name for that, in English I would translate it by the fact that the decision process is not linked to one person, even if it is the CEO, it must be acknowledged by all the actors within the company. The 1st step is to get at the top management level the frame of the agreement. The 2nd stage is before we get to a written agreement to get all the persons involved in order to get their concerns and to work on these concerns to agree on the objective within all the organization levels. Once this is achieved, then we can work on the draft document which we would go through a memorandum of understanding. The memorandum would be at the management level. And then there would be a point that everything would be clarified and negotiated (shared responsibilities, etc.) and we work on a document level addressing the collaboration with the goals and with the objectives. That would be more an operational document

Q7: Do you have contracts in force already between you and your partner company and how important would you say are such contracts for an alliance.

A: I would say the contract itself is not that important if there is mutual trust. If there is not, you need a contract. In our case we don't have a contract.

Q8: You are working with P.O., but not with a contract defining how the booth at the exhibition is shared? From the outside it seems very well organized, you are building a common front in front of your customer – this is my perception:

A: With regards to address the trade shows it was more on a opportunity base, the idea behind that was not driven by an alliance. The common front in front of the customer, OUR COMPANY has not specifically managed. For OUR COMPANY that was an opportunity at first, than we have reconducted such an approach by simplicity for us. As far as OUR COMPANY is concerned, this is harming us in the sense that we would liked to be viewed by the external world as a standalone company. Not affiliated to Our alliance partner.

Q9: How do you see the ratio between efforts and benefits?

A: Communications: The benefits are the simplicity of the trade show management because we reconduct things we have already made, so it is undoubtedly saving resources on trade show management. One drawback is that there is the perception that we are strongly coupled while we have many OEM partners that are treated the same was as Our alliance partner.

2) External questions – market view:

It is difficult to compare before and after the alliance, since the alliance is as old as the company is.

Q10: How is your Market share effected by the alliance?

A: Our main Product is not applicable to the question, but the product M is more, because it has been developed in combination with Our alliance partner on an exclusive basis and we can say that the market share for this particular development is 100%. Product M is sold in all systems above a certain energy level, exclusive to our alliance partner.

There is a mutual benefit that is very high for both companies. May be there is a questions mark if the exclusivity which our company has given to our alliance partner is limiting the numbers that our company can sell abroad. Today we have a 100% market share on high energy products which is great. But not to potentially put product M into other markets than the high energy products, e.g. the products K, that is not beneficial for our company and it is neither beneficial for our alliance partner.

Q11: Visibility – general:

A: I am pleased to have a bigger booth by making a cluster type of companies. The drawback is that we seem to be a single company while that is not the case.

Q12: From the marketing alliance to an integrated alliance (supply chain). Obviously Our alliance partner is an important customer. Do you see the fact of such a big customer as a thread?

A: I don't want any customer to be more than 10% of my turnover, even the alliance partner. Would our technology benefit dramatically our customer's products, so would this be a key technology and would the supplying cost be alike, and would the potential for our company in the turnover be over 10% then we would form a joint venture for one specific application outside of our company, in order to keep our company independent (e.g. 50:50 JV, inputs are assets).

3) Critical success factors

Communications:

Q13: Can you name some cases where you shared information with your alliance partner which you would not share with your ordinary customer?

A: As our company is concerned, it is not the case, due to the nature of the business of our company. We have our business partners competing between them. I cannot cheat by passing any confidential information with regards to any business within our company. Would I know that another customer is bidding on a certain product on one side, I would never discuss that inside of the alliance.

Q14: Did you receive information from your alliance partner which you would usually not receive from a customer?

A: Yes – no further comments – confidential

Q15: Do you exchange personnel? A: Yes

Q16: Is your alliance partner a former rival – A: No

Q17: Is your alliance partner a former customer?

A: Yes, it was our former customer and then the alliance partner.

Q18: Your alliance is an alliance between SMEs. Do you have an experience with an alliance with a big company?

A: Yes, when I was working in the semiconductor industry

Q19: But we are talking here about your company:

A: If I have an alliance with a much bigger company, the answer is no.

Q20: Is it an alliance with more than 2 partners? A: No

Q21: Compatible goals and complementary capabilities – how would you weight the importance?

A: Complementary competencies are more important, because in my mind it creates value. You can share the same objectives, but not making value.

Q22: It looks like you are technology driven rather than trying to fulfil some needs?

A: Yes, we are definitely more technology driven than market driven.

Q23: To avoid conflicts within your alliance, how do you solve issues?

A: Put the problems on front and negotiate them. Usually the conflicts come from operation and redefinition of the goals for reasons that could be technically oriented, market oriented or having different reasons, but we favour to solve the conflict at the operational level, where there is the problem. If it is on the technological level we try to solve it by redefining the technological goals and address another technical solution. So we try to fix the issues where they pop up. It is a bottom to top approach.

Q24: Contracts: You don't have contracts in place; you did not design such contracts before you started the alliance.

A: Complex contracts are required if the trust is not totally here. Lawyers are involved and the discussion of such contracts is only possible upfront at the top level. This is not the case for our SMEs.

Q25: Specialization – Are there some clear mechanisms that you do what you can do best and your alliance partner does as well – how are the interfaces defined?

A: The mutual fit is excellent with our alliance partner, but I view it also excellent with company T and with our company, because we are not involved in manufacturing our customer's products, we are involved in instrumentation around lasers. In fact there is an excellent fit, so the competencies are really well separated, we are very complementary. There is always an interface which we have to have in understanding of the competencies of the laser manufacturers and they have to have an understanding of our technology as well, but not at the same level. We have to have basic understanding in amplifiers, but we don't have to work on the same level as our partner. At the interface, you need some kind of mutual competencies, with strong specialization on each of the complementary competencies. There is zero overlap between our offers and our alliance partner's offers.

Q26: Long- mid- and short term time frame. Do you have quarterly goals and can you help each other to meet them or is it more on the long term horizon?

A: On opportunity basis we may help each other in short term. Thanks to the fact that our fiscal year is not the same, we are complementary in accounting. It is however in the long term that we in fact help each other based on the mutual benefit.

Q27: Can you give an example for a benefit on the long term? Do you share company strategies, do you have strategic meetings?

A: We try not to. What would make sense from an external PoV from the financial value, from the PoV of vertical integration it would be our alliance partner, company F and our company. In terms of financial value, that would definitely mean something. From the shareholder view, how we see the future, we might have a strongly divergent view.

Q28: Keep in mind, an alliance can be dissolved after fulfilling a certain goal. Is this the case in your alliance?

A: No, this is not the case.

Q29: To strengthen your alliance, do you have multiple projects in operations or do you concentrate on a single one?

A: One has to take care about the size of the company and the resources that each partner has available. Therefore we just try to have only one of the projects going on in our company with Our alliance partner at one time. In practice we are driven by the market needs. We have to prioritize our internal investment on the shortest potential period and we put a high priority on RoI with regards to the projects, given the market need at a specific time.

Q30: Do you start an alliance for one project and finish the alliance when the project is done?

A: The definition of alliance and project is a little bit tricky. An alliance can be driven by marketing goals and in that case a single project or in case of technology

it can address various problematic. In case we develop the technical capabilities together, it can give us an insight which market to address. This is the point, where the coherence with the market may orient at a specific timing. Even an alliance which has been triggered by a technical development which has been market oriented, or an alliance based on a technological development will bring market opportunity → this will be a dynamic loop influenced by the customer requirement.

Q31: Legal things: Due to the fact that you don't have a contract in force, did you experience a problem, did you face the situation, that you wanted to point on a certain paragraph in your contract, or do you see more benefits from talking face to face, without having a contract

A: I would see more benefits from talking face to face to the person, but we might be in a situation where applying a contract is pretty fine like rules for the relationship, but I would not like to talk about e.g. exclusive agreements vs. quantity [of a certain product] because we might be in a situation where the quantities might not be reached, which would set a question mark on exclusivity, which might be to negotiate on a fact to face basis. So the contract is legally binding, but it is mutually preferred to find a solution which would be mutually beneficial and not applying the contract as it is.

Q32: You did not have a situation where you would have wished to have such a contract in place?

A: Yes there is! There are situation where I would feel better to have a contract in place and there is a need to have a contract. We have a contract with respect to product M, which is an exclusive contract. But within the frame of the global alliance, the way we work together, the way we handle projects together, we don't have a contract in place. And there was no critical situation where we would have wished to have a contract in place.

4) Results

Q33: What do you believe it most critical in an alliance? What is the most critical success factor?

A: Relationship and competencies and culture

Q34: Can you tell me about the culture?

A: You have to share the same value and the same social view; you have to share the same view how you socially manage companies, you have to share mutual values.

Q35: And this is in a very well agreement between you and our alliance partner?

A: Yes, we are all company T's children

Q36: Yes, but you are very different now!

A: I started my career in big groups and it was very instructive and we have some older persons that were in such group, they share a little bit of a company culture and there are always traces of this culture and we share that. So there are good things we have been taken out of this culture of big groups, there are bad things that are not applicable given the size of the thing, but we share this mutual understanding.

Off course being European, we share the same social values with the over all European people, which is also important. I think that an alliance with a company that does not share the same culture is more difficult to simply make it on a relationship base. There would rather be a formal contract required.

Q37: Given the fact that you are working together with our alliance partner since the beginning of your company, what was the most important insight you have reached during the time working in this alliance?

A: You have to treat your partners the best possible way. You have to be really open minded, and focussed on their problems and try to bring mutual solution to the problem openly.

Q38: Do you have actively to provide solutions for the other partner's problems?

A: Either we have ideas that are beneficial for our customer's community, which are our company's ideas those would not be oriented to the complete community, or we are driven to a niche, where the partner is looking for our core competency and the reverse situation would apply as well, which would call for exclusivity we have to analyze such a request in priority. In other words, you have to focus on your existing relationship. Partner first!

Q39: What recommendation would you give me for running a successful alliance?

A: Mutual trust and a friendly environment, human relationship first, which implies shared ideas

Interview 2

Date: April 13, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I2
Interview-partner position: CEO & Founder
Duration: 55'
Situation: Phone-call
Atmosphere: at home

Statistics:
Company code: S4
Year of establishment: 2000
Sector: Electronics equipment
Revenue: EUR 6m
Employees: 26
Location: US

1) Internal expectations – strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you describe a successful alliance?

A: From our PoV a successful alliance would be one that would result in an ongoing relation of profitable business (revenues and profits) for an extended period of time. This would be the most basic way we would define success in a business.

Q2: When looking into the alliance, how would you describe actions within that alliance – what would you expect what your partner does and what are you doing in such an alliance?

A: Focusing on a single alliance partner in the semiconductor business – a semiconductor tool manufacturer, a large company with revenues of \$10+bn: We are an important part of their supply chain and provide components which are used in a semiconductor manufacturing facility. So the people who make chips and other semicon- devices use machines and embedded in this machines there are products that we produce. People which are responsible for the performance of these products, are the so called capital equipment manufacturers and in our case one who makes the big machines. They engineer and design the machine and then they work with the industry to put together a supply chain, that can produce a reliable set of components, that can be assembled together to perform the function in the semiconductor factory.

Q3: Repeating: Supply chain is the main topic and you are a provider for your alliance partner. How do you maintain the alliance going on, what are the requirements to go into that alliance, which you would not do for an ordinary customer (investments, etc.)

A: This business has extremely tight quality and reliability requirements. In order for us to be a viable supplier in this supply chain, we have to be able to provide a

product which performs according to the specifications. You have to be able to conform to the quality requirements of the end users as they flow down through the supply chain. We have to be able to provide failure analysis and to support the business in a competent manner. This is the most important difference which separates this relationship from others.

Q3: The requirements are higher than those in all other relationships you have.

A: Yes, the reason is this is all flowing down the supply chain of the semiconductor manufacturers and the biggest one that really sets the norm and the biggest of them is INTEL Corporation. And they demand all suppliers to comply to their "copy exact" requirements. They defined the methodology which has to be used by all the suppliers in their supply chain. All of us have to comply to their quality approach, which is "copy exact"

Q4: This was also a very technical requirement. Are there other things around that, other than technical requirements? Personal contacts, etc.,

A: In this relationship, we had personal contacts with the company that makes the equipment. That personal contact was developed approximately 1-2 decades ago when those products first were developed. The company that was trying to make this machines ran into a very difficult barrier, they could not make a particular component and they were working with very large optical manufacturers and could not get one particular piece to work and they went around and looked at all optical manufacturers and my previous employer could offer a solution to the problem. I was the person who provided that solution to the customer. My old employer got the business under copy exact – they had 100% of the business and 2-3 years ago they run into a manufacturing problem – they could no longer produce the product reliably. The customer came immediately calling me "Hey your old company can no longer make these products – can you make it? It took us probably 1 ½ - 2 years from that telephone call to be the supplier of record. The 2 years is because qualification time for this equipment is months, not days, it takes months to qualify. And also because the facility we needed to qualify for that product needed all operate under copy exact. They couldn't easily stop and switch to another supplier. Copy exact it the quality system dictated by Intel. You cannot change a product, because any change will have consequences down the road of the supply chain. They are far stricter about this than any other industry. It basically builds a barrier to change. The barrier is also a barrier we had to overcome to qualify for manufacturing this product. Because of that, when they switch from the old manufacturer to us, they had to be careful not to infringe copy exact. They had to go back and deal the case, that the change that was made was necessary to required and it was a positive change. That was a 1-2 year process.

2) External expectations – market view

Q5: e.g. could you improve market share, could you improve marketing expenses, etc. In your case it might be more unique – it is not like selling something to one more "special" customer:

A: You are right, the supply chain, we are part of, we expect we have 100% of the market share. And marketing cost at this time is negligible to zero. We are written in as the manufacturer and the supply chain cannot change this without going all the way to Intel.

Q6: When we talk about transaction cost (TC). This is e.g. starting with legal things (writing a contract) up to development of the process in your facility. I

assume it was worth doing so, that the efforts you put into that were less than the earnings that you receive from this relationship?

A: The efforts are very low, but they are not zero. E.g.: we had a NDA with this company which is a very costly issue, because they have a very big legal team and when they set up a contract or agreement, their draft is very one-sided and unreasonable. Even to enter into an NDA, we had to hire an attorney and had to spend legal cost to negotiate the NDA, so that they were not completely one-sided and unreasonable. In general however, it is trivial to the revenues that are generated. The revenues are ongoing, every week, every month, and we hope for many years to come.

Q7: You could also improve your pipeline?

A: The efforts in contracts are small compared to the revenues over its life time. Also, we see an indefinite life time of these products. This is a very prolific process how we make these components, it is probably, it is probably the most prolific process in the semiconductor industry. The process is relatively new, and we expect this process will be used in one form or another for several decades or even a century.

Q8: Did you create IP or share information?

A: We have had unfortunately to disclose confidential information in this alliance, based on demands from our customers which had to have access to detailed procedures and processes and we had to make concessions to give them access to that information with NDA in place, which we would never give to any normal customer. That was a big concession on our part in order to get the business. They wanted to be sure that we could not say tomorrow – we have enough money, we can go away... Among other things, they wanted to put our process documents in escrow – in case we would not provide products to them any more, they would have access to our knowledge.

We have patents hanging on my wall, but these patents were assigned to my previous employer and we have not pursued application of additional patents on this work.

3) Critical success factors

Q9: Did you exchange personnel with your partner?

A: We have not exchanged staff with our partner

Q10: Did you create incentives to keep the alliance afloat?

A: There is very large disincentive – on the negative side – to disrupt the alliance. On the bulk of the products, the disincentive for us is that we lose the revenues; the disincentive for our partner is that they will not be able to provide qualified products. Under “copy exact” they cannot change the supply chain. They were forced to do so, because, the previous supply chain was failing to provide feasible products. If that happens again, Intel will tell them, you have to pay the cost of qualification. The cost of qualification of such kind of a product is \$1 – 2m per product. So there is a barrier to change and the incentive is that you don't have to bear the cost and we don't have to bear the loss of revenue if we stay within this alliance.

There is a 2nd sister product that is currently still being manufactured by my previous company with which they did not run into troubles with that. It is an

older product and it is of lower volume of business. We are wanting to capture 100% of that business as well. In that case, we are offering a price incentive. We are cutting our margin incredible to make the customer switch as well. The customer said to us they are going to make it anyway, but they are doing it when the time is right. We are offering them 15-20% price incentive, to make the change quicker. That has not yet happened. – (MULTIPLE projects make an alliance stronger!)

Q11: Threads for forward integrating – you offer to your end-customers directly or back-integrating – your customer sets up its own coating facility if that is such a key product?

A: Our customer / partner is talking to us to take on more of his supply chain in respect to this product. The critical step that we perform is the process n. Now they are asking us to take over the process n-1 and in a next step they could ask us to manufacture the whole component. They are already pushing us to take on more steps of the supply chain. The reason is that we are a much more technical competent group than any other provider.

Our provider on the other hand does not have the knowledge to make such a product. They are simply machine shops.

Our customer on the other hand has been working for the past 20 years on outsourcing all manufacturing steps, because they believe their business is based on IP, not manufacturing. Furthermore we feel comfortable, because of the copy exact requirements and the fact that the qualifications of other vendors would be very costly. There is no 2nd source, because the customer will not allow it. There are not 2 suppliers for 2 factories, because the chips would be different.

Q12: How important do you see personal contact, site visits, etc.?

A: Critical! We were given the opportunity to get qualified for these products only based 100% on personal contact, site visits, and audits back and forward between us and our customer.

Q13: Complementary capabilities – no conflicts because of overlap here!

A: There is one critical issue in junction with their customer: we were approached to bypass the equipment manufacturer and sell directly to the semiconductor manufacturer. This however would be in violation with a number of issues (NDA, ethics, etc.) but this can be done, but we don't do that, we respect the IP of our customer.

Q14: You talked about the NDA, do you have also other complex contracts in place which regulate what you allowed to provide to whom etc.?

A: The NDA is the most complex, because it is not a simple NDA, the company we deal with has a very large team of lawyers

Q15: Copy exact is it a contract you had to sign?

A: No it copy exact is a standard you have to comply with, we had to fulfill the audit. We had to go through a training; all our management is trained in copy exact, but it is not a contractual requirement. That may be a contractual requirement between our customer and the end user. In reality we do not have any contracts in force. The requirements are communicated by the material managers of our customers. When the requirement comes in, we ship against

that requirement and we invoice it. It is a very simple transaction. Mostly, instead of a contract, we believe we have a good understanding of business, there is no large or long term contract.

Q16: if they depend so much on your product, they should have a contract which defines the processing time, delivery terms, the quantity, etc.? There is no minimum delivery volume in place?

A: 31:57: There is no such contract in place

We have provided a quotation which outlines the cost and the delivery time for anyone of the products we produce for them. The last revision has been generated 6 months ago

Q17: If you don't provide in time, do you need to pay penalties or how do they make sure that they receive these goods in time and for the quantity they need for keeping their business going on?

A: We are not contractually obligated and we will not be penalized. But I have to state the performance under these small P.O.s; because what happens is that the material they release to us is like a small P.O. and performance under these orders – if we can perform in a manner that we never show up as a problem in their system – we have a track record – you might be surprised, this company does not grade their vendors based on their quality of the delivery, many of our customers do, they send us a report and they say “ here is your quality grade, here is your delivery grade – this customer doesn't do that. The bad side of it is: if they do not get what they want, when they want it, they immediately are on the phone and immediately communicate with us writing. So there is no contractual agreement, but there is a very strong communication. For the past year, we had conference calls with them every week once a week and it really isn't rare, that we have a conference call once a day. The materials planners and schedulers are those planners are the ones we interface with regards to delivery issues and the pricing is what set the form of a quotation from us and we never require that we contractually commit to a large number of parts in order to extent the production quantity. This is a decision we made, because we wanted to make it easy to make business with us. We wanted them to start using us in their production system and not have to go to the level of a VP or president to make a contractual commitment they are not accustomed to make it.

Q18: But to my understanding it is exceptional that there is no complex contract in place with such a large company and you are basically relying on a good communication. This is naturally a good thing, but I thought it is unusual...

A: It is may be. Here all the efforts concentrate on the publication of the supply chain and releasing a qualified product. The question is “What is your capacity how many can you make per week or by month?” All of these were discussed and qualified prior to the qualification of the “product”. The big companies have reports from us about what is our capacity, in case you increase your capacity, how long would it take, what is the cost. The discussions occurred in a phase prior to the release of the product, but there is no contractual agreement. We had a great deal of history with the product. We know that there will be many of these products and they will be used for the next 2 decades at least and we knew the application and the market and they looked at auditing our capacity and the technical capabilities and our quality. The assumption here was that if they give us money, we will make the product – this is a very simple business assumption. Our process is very complex and we had to disclose it.

Q19: So you had to disclose IP?

A: We had to disclose it to them and they agreed that they will never use that information, unless we cannot provide their needs.

Q20: Focusing on conflict: You already said, a phone conference is a very appropriate way. How about time horizons? When you think in going into this alliance?

A: what I could understand, the most important thing is to keep your customer for a long time.

Q21: So it is more important than quarterly results...

A: We spent the money to develop the capability years ago, because we think that it is very important – without having a customer.

Q22: The customer came to you and asked you for that?

A: When the customer came to us and said “we have troubles with our current vendor - your old employer - can you make this product we already had the process in place to make it. We spent the money and it took 3 years to start getting the revenues from that initial investment. But now going forward is just maintain the quality and we are now responsive to NPDs because it is a family of products and every 6 months to a year it is the requirement of a new version of a product and we need to be able to respond to those as well as to maintain high quality products. And if you do that you have a business for ever. The only thing that triggers any change, or creates risk to our products is failure to our products at the users’ facility. If the products don’t work, then our business is in trouble. If the products work, we have the business.

Q23: From your PoV it is an open ending alliance, rather than having a strict DL in view – to say we make that now for 2 years and then we stop this. You are always interest in developing new products and new processes and having that going on for a long time?

A: Correct!

4) Results

Q24: 42:28: What is the single most important CSF for this alliance?

A: It is technical competence. In this particular case, we always compare to the company that already had that business – which was our old employer – they could not resolve the problems. We were able to overcome the problems. We had the marketing connections and people connections. Because we had the possibility to resolve it, we put ourselves in the position to overtake the entire business.

Q25: Insights from this alliance which you gained?

A: The issue of competence what has allowed to take this business is attention to minor details. It is a very simple thing, we are not just ... these products, there are lots of details, and in the same way, if any of those details are compromised, when the end-user makes a Pentium computer chip, the chip may not work. The same attitude is applied at a level of a very simple component. We don’t view this as a simple component, we see this as a critical component and there are many things that can go wrong. This is the philosophy that the end users had been

pushing us in the copy exact methodology and indeed this is the critical success factor.

Q26: What would be your recommendation for a potential future alliance which I might go into?

A: The thing that comes in my mind is to make the alliance with the strongest possible people! You are better off making alliances with the best! Our alliance is with a company that has over 90% market share for these products, for this equipment. They virtually control 100% of the market. If we had this alliance with a 2nd or 3rd tier manufacturer, there would be no financial reward. Therefore we make this alliance with the biggest vendor that has the best pay off.

Q: Thank you for this extremely interesting interview

Interview 3

Date: April 28, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I3
Interview-partner position: CFO
Duration : 55'
Situation: Phone-call
Atmosphere: at work

Statistics:
Company code: S4
Year of establishment: 2000
Sector: Electronics equipment
Revenue: EUR 6m
Employees: 26
Location: US

1) Internal expectations– strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you describe a successful alliance – what is important from the PoV of the CFO for a successful alliance?

A: We want to meet the requirements of the customers; we also would like to see the alliance grow over time – opportunity for growth and potentially more business. A good alliance enables both companies to understand the technology a little bit better to go forward since both companies build on technology. Finally – as a finance guy – you want to be profitable.

Q2: The answer you gave me is a long term perspective – could you confirm this?

A: If you have an alliance with another customer, this is certainly a long term relationship. We do a lot of one time jobs, but I don't see those as an alliance.

Q3: Can you describe some strategic goals & motivations of the alliance?

A: There is a lot of technology involved, the alliance we see it would be the most profitable for our company it also could also be our key customer because of shear revenue. If things are successful in the semiconductor industry, this is a really big golden nugget for us.

Q4: and you don't want to leave it as a shear vendor – supplier relationship, you want to make something long lasting form that?

A: A lot of times when you have a big customer and you become an important vendor to them and you become critical, it could also mature into a relationship where they potentially would buy you, because you are critical to their supply chain. In that particular case, I would not see that happening, but I would not rule it out, but this is also something we would like to keep our eyes open.

Q5: Could you name me some efforts to keep such an alliance afloat? What is your input, some investments – not necessarily monetary – but e.g. communications etc.?

A: There have been a number of technical issues though, the collaboration between our technical guys and their engineers has been very focussed in the last few months, but certainly CEO is our technical lead for our company, so spends an enormous amount of his time dealing with these guys in the technical issues as well as on the business side issues negotiating pricing and warranties and so. We had submitted our main guy and our main technical guy along with a number of other people spent a lot of resources to figure out how to make this alliance and the problem with the products to move forward. On top of that we have committed to hiring some technicians to be running the process and we have committed to also buying equipment. We ended up not buying it, but we are ready to buying it, if the volume increases.

Q6: Basically an investment which is very specific for this business?

A: Correct!

Q7: By investing in that you basically take a certain risk that you cannot easily get out of this alliance?

A: Correct, we are buying stuff and are hiring people just for this project. In fact, what has happened is that we committed in hiring an extra person and buy the machine. And you know in the last 6-8 months how bad things are gone with the economy in this country and so we ended up not buying the equipment in the last minute. We already hired someone and we had to reassign him and put him to a different position in the company.

Q: it is always easier to move a person to a different position, but if you are buying very specific equipment you are very much depending on your customer in case you cannot use this equipment for another customer. It basically weakens your position in front of this customer.

A: 7:57: Yes, right

Q8: In my research there is also taken into account the TC – any cost which is basically required to establishing this alliance. That could be investment on the one hand side, but it is more like cost of complex contracts. These are efforts to enter such an alliance. On the other hand you have earnings. Can you please comment on these efforts, do you have complex contracts in place and how does this compare with the earnings you expect?

A: 9:25: They have asked us in the beginning to sign a NDA with them which basically stated that we give them all the information they can ever want and we get very little back from them. This is kind of a one way NDA. That had to be renegotiated because we had been entering into that. And then there has more been a lack of contract. There is actually a 3rd party involved that actually makes parts we make for them. One of the problems that has happened is that we don't have a long term commitment; PO with these guys. Everything is signed short term. So we have no real visibility to what is coming towards us. So we spent an enormous amount of resources trying to figure this out, but at the end of the day, we have only orders for a handful of pieces. Currently for what we are doing, they are the bigger company and they have procedures in place, where they cannot alter and replace certain vendors very easily. So they cannot alter how they make

the product. So the contract we have is really sealed up with the "copy exact". In manufacturing they can't easily replace us. And it takes a lot of their resources to do it. The profitability is very good. In the beginning it is hard to measure, because we are spending a lot of time how to do these things. Working on this, you don't usually bill that time on that job, but as things move forward and become high volume, profitability will be quite good.

Q9: It seems that you know very well the whole process and that gives you more security than a complex contract for an outsider?

A: Yes, because we don't have contracts at all actually. In fact there is another company that does similar things what we do, which has been making that in the past and we had a situation where we replaced them for most of the new products now. So they have given the work to us. The process has taken several years to get to this point and in the last months in particular it has become very intensive.

Q10: Do you have any idea, did this previous company have any contracts with this customer?

A: 13:35: My understanding is they had. They had contracts a year worth, that they [the customer] basically had to buy all the stuff from them. We do not have that.

2) External expectations – market view

Q11: Just some external expectations – expectations regarding the market. One question was already answered by the fact that you mentioned that another company was active in this business which you took over – that means you could increase your market share in that particular product portfolio. The other question would be marketing expenses – I guess there are no marketing expenses connected to that business?

A: We spend very little money in marketing as a company at whole and certainly in this relationship we do not spend money on the marketing. We have contacts with the company directly and all the negotiations are done with the company directly. It is not like a consumer product.

Q12: The visibility of your customer base has not significantly changed. It is basically one customer you are talking about.

A: Yes

Q13: How has your pipeline developed? When you are looking into the future, how do you see orders coming in?

A: Right now it is so unstable in the US, we think this is really the bottom for the semicon industry right now and we think that over the next 6 months things will drastically improve and this will be a double size at this time of the next year if it is not more.

Q14: Is there anything you would like to add to your external expectations – meaning to the market?

A: What happens in the US whether things stabilize, whether consumers are buying things, the semicon industry is in for a longer down turn, because it is [not] driven by things people are buying every day.

3) Critical success factors

Q15: Sharing information – disclosing and receiving information – communications from the financial PoV

A: From the technical side it is definitely open and information is freely floating. Certainly the financial information right now the company [customer] is having a lot of problems financially. They are a bigger company, they have full load workers they have been asking for mandatory shut down like one week a month and they had massive lay offs I think so. This is unsettling from a financial perspective. On top of that – the price we charge, we can make money out of it. But if they don't pay us, we cannot make money. The real problem is, there is a 3rd party involved, they are also in the manufacturing stream. They provide a key piece where we put a film on. Their only customer is this alliance we have with this bigger company. And therefore this other company is really in the dark house. So we have a number of different customers in different areas. So we are doing financially quite well, but it has been difficult to extract payments right now from the other party.

Q16: So in case the supplier of these parts cannot supply the parts any more – so is there any alternative?

A: 20:00: Yes there is currently a 3-way deal. But the curious thing is they have been cut a long time. They cannot be replaced, it takes a long time before the whole things falls apart. It is kind of a tenure situation. But it is a huge opportunity for us on the other hand. I have sent out an email today that they pay at least someone in line, so there is some financial strain. We do think right now it is the bottom. We do not expect it will get worse.

Q17: It seems you are very active in this alliance and you are pushing things forward. There is always the thread that someone is ready to invest or to do something and then it comes to a standstill – this is obviously not the case in your alliance. Your motivation is future business even in a situation where you alliance partner may not yet be in the position moving forward.

A: I think again, as things turn around and things are going well, the product we make is super-critical to manufacturing of chips. This is only going to grow over time so we think that technology is critical – so we see this could be our biggest customer and that is a good thing and a bad thing and this is certainly something we want to go after.

Q18: 22:39: Can you comment about the size of your partner? Your customer is obviously a major company, what about the size of the other partner?

A: I would say they are small – comparable to us.

Q19: Contacts – Site visits – Again from your PoV. as a financial person. You do have a direct contact at your alliance partner with who you discuss financial topics? Do you know each other in person?

A: Yes we know each other. It goes both ways because they wanted to know about us we got the business that is huge for us as well so we have filled out a number of questionnaires on our financial stability – giving financial records on how we are doing I have not asked that about them but we keep in close contact.

Q20: So far the size of a company was also a measure for their financial stability. At least until the crises has begun.

A: Everything had turned upside down .

Q21: There is obviously no conflict in terms of competition; you are provider for a key part – so we can skip this section.

A: Yes

Q22: About contracts – So do you have a quotation in place where you have provided a price based on a certain quantity? What is the contractual situation at the moment?

A: Yes, currently the quote is based on a lower volume; there has been a large volume discount, we have increased the price a little bit, we cover the warranty problems so they pay a little bit extra for each product in case things happen down the line. However since this is in the beginning phase there is not a large volume discount. We had certain terms we have extended to them – payment terms are 30 days after invoice. Currently I am trying to renegotiate interest fee in case they do not pay in time

Q23: Obviously there have been some short term conflicts e.g. if they do not pay in time? How would you see the focus on conflicts in terms of short, medium and long term horizons?

A: It is tricky, because these guys can be a great customer for us and you don't want to cut them off. At the same time you run a receivable account and you never get paid. So if they are a certain amount of time late, we basically put a hold on all shipments until they can pay it and once they pay it, they get a current again, they move when the shipments go so that is currently the negotiation right now. Going forward we hope that things stabilize for everybody financially; that is a hope for everybody, I do not know exactly what we can do?

Q24: So you address this in front of them, how do they respond? Do they act cooperatively, do they present a plan what they plan to do or do they respond at all?

A: The communication is definitely very open and they try to secure funding to help their day to day operation and any sort of cash flow constraints, they are working with banks to get money to do that, obviously banks are weary lending money to anybody. So this is a tough situation right now we have to kind of play it by ear and be careful and don't let the debt get too high.

Q25: So they haven't offered you equity yet?

A: No [laughing]

Q26: 28:31: Since this is a project which might have a very successful development, as soon as the economy improves. Do you also have some other projects with the same company in view?

A: No, currently this is the one. There is a couple of different parts, and they are very similar. At the end of the day it is all going into the same kind of machine. So it is a very narrow focus but the up side is very big even with just a few products that are pretty similar. We are trying to diversify with obviously the other customers we have.

Q27: 29:40: Coming back to the contracts, you mentioned a very one-sided NDA. How did you fix that, did you spend a lot of money for lawyers or how did you solve that?

A: Exactly, we hired a lawyer, we have a good firm here in town that we hired to represent us, and we have redrawn and renegotiated to a so much more symmetrical, equitable NDA.

Q28: Although the lawyers are not cheap – in particular in the US, you still are positive that it was worth this amount of money for that future business.

A: I think yes, it was certainly critical, you don't want to extract all the information from you but they don't want to give anything back – so we thought that was critical to move forward.

4) Results

Q29: We discussed about a certain number of CFS – sort out conflicts, legal things , communications, etc..
What is the most important CSF from the financial PoV for this alliance?

A: The most critical thing for us right now and for the alliance would be the health of the semicon industry and the economy in the US as a whole. I think a micro scale if that is not returning at least as stable, not necessary booming, but a stable economy – banks are lending money to people and people are buying – even consumers – people are buying things it is not going to go anywhere .

Q30: So these are not easily influential factors at all. Soon the other hand, if I would ask you for an advice – I would like to enter into an alliance with a big company, what would be your advice to me from what you have learned from the past 12 months?

A: 32:42: Laughing: From a financial perspective – it is an interesting question: It would be nice for anybody to enter into a contract with a big company, a contract where you have good visibility going forward, to know what they expect of you, what they are going to order or buying from you, that gives you the ability to plan and to invest your resources appropriately. We can buy as much, we can invest all these resources and at the end of the day we are not sure that we see any of them, we don't have a good visibility on going forward, what is going to happen. That is truly with a big company, you should be able to negotiate a longer term than normal that you could plan accordingly and invest your money in resources wisely.

Q31: thank you very much, this was my last question. I wish you good success with your business and many thanks for this very interesting interview!

Interview 4

Date: April 22 2009
 Time at destination: 10 p.m.
 Interviewer: AST
 Interview-partner code: I4
 Interview-partner position: CEO
 Duration: 55'
 Situation: Phone-call
 Atmosphere: at office

Statistics:

Company code: C1
 Year of establishment: 2000
 Sector: Electronics equipment
 Revenue: EUR 10m
 Employees: 40
 Location: Western Europe

1) Internal expectations – strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you define a successful alliance, what is your definition for a successful alliance?

A: Added Value for both. The aim of the company is to develop itself and making profit, making R&D and so on, the successful one is the one where the 2 partners are gaining added value. [This can be by] profit only or by recognition, competence, reputation, everything which may help you for developing the business.

Q2: Please keep always one alliance in mind which you think about during this interview. [Interview partner will later on switch between 2 alliances. One between 2 SMEs (company S1) another one with a small department of a large (company T)

A: My preference is the single alliance. The type of success and benefit may vary from one alliance to another, but it is always added value. That can be recognized by numbers. Topics are save some cost to get a higher benefit, or developing a new activity, or getting an advantage in the competition like a common patent. We have both things. We have a common patent in the company, so we have developed this patent together we have a patent between the 2 companies as one type of alliance. The patent by itself doesn't mean a direct profit, but it can be a protection.

Selling cost for SMEs: sharing cost for a booth with other companies which is a case of marketing alliance – the presence of one partner on our booth may help us and vice versa.

Co-development can be made by mutual understanding better the business we get advantage when we create it– added value by getting a new visibility.

Alliance by a consortium agreement in case of a EU-grant project. So we can work closely together and we have the advantage of a benefit in profit, even if [after the project] no close partnership develops for the business, but we share

R&D effort and both partners get the benefit of results and we share the results through e.g. common licenses.

All this corresponds to what we did pursue during the past 5 years.

Q3: You talked about advantages from this alliance; I would like to discuss about efforts to manage the alliance you have to invest to keep this alliance going on:

A: 07:43: It is more the effort to understand the goal or the aim of the partner. It is impossible to make a good success story if we do not have the understanding what our partner is looking for. On the other hand you have to discuss about the divorce, just for the event the divorce may happen. The effort when we start an alliance is to understand the goal developed by the partner, and to make sure that this goal is not by any means in conflict with your interest in short term – im not talking about a 10 years agreement. At this we are talking about SMEs and a few years agreement The aim is make sure that when we had made an alliance this needs resources from the company by different means – effort either of understanding or investment – the aim pursued by your partner will not be in conflict with your interest, before you are making an investment .

Q4: 9: 48: What is your experience with contracts between alliances? In particular complex contracts – so how do you see the effort to establish complex contracts (let say water prove contracts) in comparison to the size of the alliance?

A: The contract is mainly linked with the duration and the size of the investment. We may have an alliance with a partner – where the aim is to save cost. That means to share the booth [at the exhibition] for immediate action. We had long-term action for something that can be a case-by-case decision in that case based on a gentleman agreement.

Q5: 11:00: You had short term contracts in place?

A: In case of short term added value, since we are an SME, the agreement can be a gentleman agreement.

Q6: in other cases you had no contract at all?

A: I would say even if you work with a friend of with a partner for years, especially in this case you need a written agreement, just to avoid confusion. Very often when you believe this is your friend, you forget to go to details in the agreement which is the main cause of trouble. Especially when we had to create a partnership with a company which is a partner of yours for years, I go with written contracts, as soon as these correspond to something which is not a one-shot [in time] gain. There is obviously some difference when we make an agreement for some booth together for sharing marketing cost. The event is identified; there is a focus for the duration. In the situation when you want to invest, to make some test together, you want to make a lot of things together; in that case we had to go to write an agreement.

Q7: 13:00: This is not a frame agreement, which covers the collaboration for the next 10 years, but this is an agreement for a certain purpose within this alliance.

A: We had a collaboration for one product, serving the interest of our company and directly or indirectly the interest of our alliance partner. For this collaboration we have one specific contract which has been established for many years. We have established an agreement for the way of doing this collaboration, the level of investment of both parties, and the way of getting the RoI which is the frame of the contract, established for many years.

Q8: So you are still focussing on a certain purpose.

A: That is true, because it is not a JV. We are not in that situation where there is one topic for which we have this alliance established. I can give you an example, so we have a strong link with research partner C, which is a big research institute, and so we have a contract between research partner C and our company for some common development which is another type of alliance in that case, because this is not an alliance between 2 SMEs, but between 1 SME and one big institute. In this case we have also written documents.

Q8: 15:10: TC: Establishing such rules & contracts – is that a significant cost in your case?

A: Yes, yes, For SMEs the cost is significant. But of course there is a big difference between very mature collaborations where you have to invest a lot including the investment for managing the agreement. It is always depending of the volume of the agreement but also of the size of the partners. Including the investment for managing the agreement –it depends of the volume of the agreement, but it is also depending of the size of the partner, in fact with another small company it will be less expense compared to big institute.

Q10: 16:20: You say a big partner requires more complex contracts compared to a small partner!

A: That is true, but e.g. I see the impact in my business for some customer s far away from our company, having a contract with a big institute which has been known and identified as an expert in one field will definitely help our business, because we present is this demonstrative collaboration. This is not crucial, but as it might help the business, in a way of looking at it indirectly, we have the agreement with a big partner, which has an impact on the business for Amplitude. This has an impact - not totally linked to the content of the agreement of the content of the collaboration.

2) External expectations – market view

Q11: Let me look from a different PoV from the Market view: When considering such an alliances, how do you measure the improvement? How did you market share, your visibility, your customer base, brand image and so on improve?

A: There will be a big difference for e.g. selling cost for a booth, image, marketing and so on and the impact by making a co-development – either of a patent or a e.g.: new technique. The impact concerning everything which is short term like sharing a booth there would be a 1st reaction for the customers – positive or negative – so we tried to have it positive in our cases the impact sometimes is very good and some times it is neutral – the image for the company will be always derived from the immediate reaction from the customers. This is one way and we try not to see more than this.

When we have a co-development of something new, it is purely finance, where we have identified one technique to develop, we have then investment and we see the profit generated by itself. So this is purely the financial case.

We could say there is something which is not completely managed in terms of size of the impact, is when you have a technique, which is important, and this technique is included in a big system. You have co-developed this technique with your partner, providing a real advantage, considered as something important for the customer, but he is not the only one.

At the end, there had been a contribution of the new technique to the capability of the company to provide some specs, but since we have not only one performance, but in the weight of this performance in the decision of the customer it is difficult to know. As an example, the product M had been in use for getting special pulses for the system, but also for the success on a ultrahigh

energy-system after 1-1/2 years the main parameter considered as the key for customers has not been the parameter τ , if we would have achieved x instead of y, it would have been accepted, but the most important thing is the parameter C. Obviously the product M has a contribution in this parameter C, not very important but existing, this is the reason why in that case, we do not try to minimizing that aspect; we know there is an impact for the critical fact for our partner to get orders from us. It is clear you cannot compare our price of a ultra high energy system with the price of a component from our alliance partner even if this component is very important, intelligent and so on it is clear that the investment made by one company is an investment into the alliance.

3) Critical success factors

Q12: Communication: Did you share confident, technical information with your alliance partner and did you also receive such information?

A: 24:00: in the case of hi-tech we had to share and to protect such information provided by us and by the partner by e.g. an NDA, we need to know in advance which type of information could be spread everywhere, so it means we have to exchange information. There is a flux of technical and technological information, as soon as we are obliged by technology that we have to go deeply into technology, the level of commitment must be [controlled] very intense with a big attention.

Q13: Did you exchange personnel / co-workers with your alliance partner?

A: Yes, it is not really an exchange, because the employees remained at the same company – but the employees visited other sites frequently. It can be an experiment at one place.

Q14: Did you have experience with alliance partners who were former rivals?

A: Yes with company T: When we were a small company we were not considered as a competitor, just because the creation of the company has been based on development techniques that the previous management of company T considered as not the right one and not interesting. We focussed on thing which company T did not believe that they are important.

The first type of the relationship between the companies was zero, because we were not in the same field. The there was a 2nd step where they have seen that we get some success, and the management [’s opinion] has been changed over time, the new management has seen that we get a part of the business, which was not that small, so they tried to go back to the business without success. Then the same management tried to see if an alliance could be possible. I was open (lets try and see) we had not signed the agreement – in the 1st time it was more an agreement based on business – making some deals together, just to make sure that we were able to understand each other, and to see if it was really strong and to demonstrate to go ahead with the alliance and my partner broke the alliance without telling me. We had discovered the situation by our customers and we saw that our partner was not a good one, so the relationship stopped from one day to the other. So it was a failure because we had not been able to find the right way and then we were 2 competitors again.

Q15: Did you have contracts in place at that time or was this just in the time of preparation?

A: It was during the time of preparation – it was a long time of preparation, we had in mind to see through the business, if we would be able to work together, in

fact have not even been able to do that, I would say at least technicians had been able to work together (30:00) but the situation has been broken by the management.

Q16: legally seen there was no breach of contract, but basically trust was gone.

A: this was the case. There was no way to conclude anything and to go ahead with the agreement.

Q17: So we are talking about alliances between 2 SMES, but now you also talked about your experience for an alliance between a SME and company T, do you consider company T as a major company?

A: No, it is considered as an SME, because the decision has been triggered by people working within company T's division, and no influence by the group.

Q18: Can you tell me a little bit about personal contacts and site visits to keep such an alliance successful? How important are personal contacts, phone calls and also visits?

A: I would say that I strongly believe in mentality, my vision of a partnership is mainly based on psychology, but I do believe that in the normal lift that you can break and build a partnership easily without spending a lot of time together, just because there is something between the main person and you. It means that it is important for the persons who have to decide.

Q19: There is on the one hand between person-person – chemistry thing, how would you describe it between your company and the partner company – what are the important things here from your PoV?

A: 32:40: The 1st thing is to have the management being able to talk together and to appreciate them to get a good feeling and obviously we have to organize the alliance and then we have to go through meetings preparations description of the content, establishment of the background and the foreground and all these things are absolutely mandatory, so as I said before, the identification of cause of divorce, so we need to talk once again in all these preparation you can talk about what you have in mind to do, you have to talk about the goals for both, to identify the benefit for the others, and your partner must understand you – there is no place for anything bad on the short term.

Q20: How would you describe the company, what products they have, what capabilities they have, so how far do you see that it is important that your goals are complementary to your partner's goals or capabilities? How should companies be similar or how should they differ?

A: 34:25: We need to know where the companies will develop from the alliance. Just to identify it can be complementary, parallel, and influential; at least you need to identify any [potential] conflict of interest over time. This is the only thing in my mind do, to verify and what you need to understand: the strategy of the partner, which is behind and we have not to "hide any copy" or "to hide your own book" a French expression - you have to explain where you have to go. The NDA or the memorandum of understanding is a good way for preparing the future. This is basically the frame.

To be different if we talk e.g. with a partner which is not an SME, but e.g. in our case it is research center C, but obviously interests are very different. We are not only talking about different aims, but also about the understanding. In that case obviously we talk about this, anything we can do, which is in favour of your own

business can be understood completely unacceptable by the other partner. We need more time to think about it.

Q21: But you have no competition on the market side.

A: This is absolutely true.

Q22: 36:30: There is also an important point to exclude all potential conflicts on the market side – basically the problems you had with company T. So you can either design a complex contract or you look at a partner and you say there will always be a potential conflict because of the market overlap

A: Yes that was the case with Company T. The root of the agreement has been established by Company T at the 1st time, with a firm commitment at the beginning that the separation of the business was testified and in principle this could have led to a business without any conflict. The problem has appeared, when the partner company T decided to stop this commitment, because what they proposed the 1st time had been inconsistent by some people inside the company and considered to be not a good strategy. May be there were right, there is no comment about the decision, but they have changed their mind. Obviously with the written agreement in place, we would have ended on court.

Q23: On the other hand, with a written agreement with an alliance partner, you cannot foresee all eventualities for the next 10 – 15 years. You have to sit down from time to time and to modify the agreement.

A: This is the reason why, when you have a written agreement and you breach this agreement, either you can find a fair solution or you go in front of the court. There is only one alternative, 2 choices, either you find a way or you don't and you go to court and let the judge decide for you. When you have a written agreement, obviously you have an alliance; all the alliances signed with partners have a limited duration. If anything will be changed, it has to be noted in writing and signed in an agreement as well – an additional document.

Q24: Have you done this practice in the past?

A: Yes, in all cases, in NDAs, collaborations, ownership of patents, etc. in all cases we have a duration which is fixed from the beginning. It can be modified by mutual agreement. But we started something which is determined and restricted in time.

Q25: 40:37 It is normal that you have conflicts within an alliance. How would you solve such conflicts on a short-, medium- and long term time scale?

A: I would say "conflict" is too much for me, we don't have always conflicts, but you can disagree with your partner, because the level of results can be considered very good for one and not so good for the other one, up to now we had been able to find ways. At least we are not a good example, we have not been in trouble for any agreements signed up to now.

Q26: Do you have a mechanism in place where you communicate with your partner in case you have the feeling that a conflict might appear, just to avoid bigger conflicts? Is there a secret you can tell me how to avoid such conflicts?

A: The best way is during the preparation of the agreement to try to identify the [potential] cause of divorce. I give a lecture at an engineering school, and I tell them in case you found a company with friends and colleagues, to identify the

situation in case of divorce. This is the best way to avoid it. When you are young guy and you want to develop your own company, you are very ambitious, and you have in mind that everything will be successful, you see only success and I have a list of situations for which I had to solve the situation for friends. Especially when a company had been founded by 2 friends, it can be a disaster, because in principle people do not believe that there might be a problem in the future. In case nothing has been prepared, there is not way to solve the situation in case of divorce and the company is lost. I know a story where 2 friends started a company who were friends for 25 years and it had been a disaster only 2 years after founding the company. In my case I try to identify first where could be the problem and in case of [it occurs] how would I treat it.

Q27: Do you have a partner where you run multiple projects in order to strengthening the alliance with one single partner?

A: It is a matter of dependency. If you are in the position to develop many topics with one partner, you have to consider the weight of the dependency you have with this partner. It is mainly the weight of dependency which does trigger the decision to go ahead or to stop. In case of our alliance partner, because of the business we have done with them, they are almost dependent of our business. In this case [the partnership with] our company is strengthened, but it can be a thread for the smaller partner. We have to anticipate such a situation; otherwise we have to go to a much stronger alliance as it is the case [at the moment]. Currently it is based on co-development only, it can be extended to exchange of equity. As soon as you see that the impact of the alliance is so big in your business that you have strong dependency of you activity from this alliance, you need to make a step. It can be strategic, [based on] volume. From this PoV, the attitude of a small company is not different fro the one of a big company. When big companies see that small companies are developing things faster; which is then successful in terms of business, they buy the small company.

4) Final results

Q28: What do you see the most CSF for such an alliance?

A: Probably the added value which has to be real and crucial, you need to have success and you nee to have control over the success. In fact you need to manage your own destiny.

Q29: What is your insight, what have you learned from past or ongoing alliances?

A: First of all each experience is valuable. Good and bad experience. Even the one with company T did have no real [bad] consequence for the company. As soon as the alliance is bigger in terms of impact, the higher is the precautions you have to take to be able manage it. The effort to handle – by practical demonstration [experience] what I have faced during the last 8 years, the common sense to say the alliance is very important for you, you have to spend effort and time since it is the main root of your own strategy. 53:27. The level of the dependency of your own business will trigger the level of effort you will have to consider, the investment you have to do for keeping the strategic alliance as good as possible.

Q30: I would like to enter an alliance with another company and you would give me an advice: Andreas when you enter an alliance please think about this or that – what would that advice be?

A: Spend time for the preparation to identify the cause of divorce
Thank you very much for your clear answer and the entire interview!

Interview 5

Date: May 4, 2009
Time at destination: 6 p.m.
Interviewer: AST
Interview-partner code: I5
Interview-partner position: CFO
Duration: 40'
Situation: Phone-call
Atmosphere: at home

Statistics:
Company code: S3
Year of establishment: 1992
Sector: Electronics equipment
Revenue: EUR 7m
Employees: 45
Location: German Speaking Europe

1) Interne Erwartungen – strategische Motivation

Q1: Was erwarten Sie wenn Sie in eine Allianz hineingehen fuer Ihr Unternehmen aus dem Blickwinkel der Wirtschaftlichkeit:

A: Ich erwarte dass ich mit Hilfe dieses Unternehmens mit dem ich in eine Allianz trete meine eigene Position deutlich verbessern kann und das geht in der Regel nur so, dass letztlich beide Unternehmen in eine bessere Position kommen als vorher.

Q2: Welche Aktionen sehen Sie als notwendig an, um so eine Allianz erfolgreich zu gestalten?

A: Man muss zuerst seine eigenen Interessen fokussieren. Man muss wissen was man im Grunde will und letztlich auch feststellen wo es im eigenen Unternehmen fehlt und was im Grunde nötig wäre. Dann muss man sich einen Partner suchen der im Grunde genommen das Komplement bildet, der einen selber oder dem eigenen Unternehmen weiterhelfen kann und natürlich muss man das auch so gestalten, dass der Partner ein großes Interesse hat an der Zusammenarbeit.

Q3: Gestalten bedeutet, man muss schon etwas dafür tun dass auch der Partner aktiv mitarbeitet. Man muss so zusagen immer daran arbeiten.

A: Das Problem bei so einem kleinen Unternehmen wie wir, wir hatten zunächst eigentlich nicht viel in der Hand außer unsere eigene Kompetenz aber damit können wir uns sehr interessant machen für ein anderes Unternehmen.

Q4: Wenn Sie strategische Ziele der Allianz beschreiben würden wie z.B.: Kostenersparnis oder was ist es bei Ihnen?

A: Es ist nicht nur Kostenersparnis. Mir persönlich geht es auch darum dass man als kleines Unternehmen das auf der ganzen Welt aktiv ist, mit dieser Allianz letztlich schneller und einfacher voranbringt, als wenn man es alleine versucht.

Q5: Also „Time-to market“ – Zeitersparnis

A: Eine zweite Sache, die nicht ganz einfach ist: wir haben komplexe Produkten, die wir nur schwer alleine weltweit vertreiben könnten. Insbesondere im Ausland profitieren wir von der Reputation des Allianzpartners.

Q6: Ist das immer noch so, ich denke Sie haben sich mittlerweile einen Namen gemacht?

A: Wir haben selber eine Reputation, aber das hilft immer noch.

Q7: Je weiter man von Europa weggeht?

A: Je weiter man von Mitteleuropa weggeht, In Mitteleuropa sind wir mittlerweile gut eingeführt. Meistens noch in den USA, aber auch noch in Asien spielt das eine wichtige Rolle.

Q8: Um so eine Allianz am Leben zu halten muss man etwas tun. Was Sehen Sie dabei als wichtige Punkte – ich werfe z.B.: Kommunikation auf.

A: Sehr wichtig!

Q9: Gehe Sie da aktiv vor bzw. können sie anhand einer Situation erklären was Sie tun?

A: Die Kommunikation ist das A&O. Man muss das aktiv betreiben und ich kann nur sagen, dass wir z. B. regelmäßige Telefonkonferenzen eingeführt haben um dort verschiedene Probleme und Sachverhalte zeitnah zu besprechen. Man sollte auf Kontinuität achten, d.h. die Dinge nicht schleifen lassen und wenn notwendig auch penetrant sein. Es macht Sinn die Partnerposition im Blick zu behalten, also ein wenig für ihn mitdenken. Es fällt dann leichter neue, interessante Dinge anzubieten. Wir versuchen auch immer das herauszuarbeiten was für die anderen Seite interessant ist um zu motivieren und die gewollte Zusammenarbeit auszubauen.

Q10: Sie baue eine Allianz als etwas Langfristiges auf; nicht für 1 Projekt und dann suchen Sie einen neuen Partner, sondern Sie wollen immer Kontinuität mit neuen Projekten in die Allianz einbringen?

A: 6:49: Also Wir haben eine in jedem Fall auf Langfristigkeit ausgelegte Allianz, den anderwärtig macht das in diesem aufwändigen Geschäft wenig Sinn.

Q11: Ad Aufwand: Kosten die entstehen dadurch dass man z.B.: erst einmal einen Vertrag aufsetzen muss. Ist das bei Ihnen ein Thema, betreiben Sie das intensiv, haben Sie enge Verträge, haben Sie Rahmenverträge, Verträge die ein bestimmtes Produkt betreffen, wie sehen Sie den Aufwand für solche Verträge in Relation zur gesamten Allianz?

A: 8:00: Da gibt es gute und schlechte Beispiele, wir sind durch alles durch. Wir hatten sehr aufwändig gestaltete Verträge - auch finanziell sehr aufwändig, Internationale Kanzleien haben uns da geholfen - und ich muss sagen, es war viel Aktion um nichts. Das ist die eine Seite, die andere Seite hatten wir auch, das wir jahrelang mit einer Firma zusammenarbeiten und Millionenumsätze gemeinsam gestalten, nur mit einem ganz schlichten Rahmenvertrag. Es gibt also beide Seiten und aus jetziger Sicht muss ich sagen, wenn man versucht ein vertrauensvolles Verhältnis zu bestimmten Leuten und Firmen aufzubauen, ist es manchmal nicht so notwendig, die vertragliche Seite hervorzuheben. Ich persönlich mag das lieber so. Der Aufwand der hinter einem guten internationalen

Vertrag steht ist enorm! Manchmal ist es nötig und vernünftig. Aber wenn man eine Zusammenarbeit einfacher gestalten kann sollte man es tun. Es gibt natürlich kein Rezept. Jeder Fall ist anders. Wir versuchen Win-Win-Situationen zu formulieren, die dann vertragsrechtlich einfach zu gestalten sind.

Q12: Also es ist nicht Ihr Ziel hier aufwändige Verträge zu formulieren, sonder Sie versuchen eher auf der persönlichen Seite zusammenzuarbeiten und aktiv an der Allianz zu arbeiten, sodass nun hier nichts passiert.

A: Ja so ist es. Wen man mit Firmen zusammenarbeitet, die das [aufwändige Verträge] wollen und darauf bestehen solche Verträge abzuschließen, dann hat man dort i. d. R. auch mit teuren Kanzleien zu tun, die –auch wenn es um kleine Umsätze geht – erhebliche Bezüge für das Aufsetzen von Verträgen erhalten.

Q13: Besonders bei KMUs ist es interessant: Wie groß sind die Kosten die man aufwendet, im Relation zum Geschäft. Das [Verhältnis] ist bei KMUs immer schlechter als bei großen Unternehmen, insbesondere wenn man nun versucht sehr genaue und komplexe Verträge zu erstellen, da bei großen Unternehmen die Geschäftsvolumina größer sind.

2) Externe Erwartungen – Marktsicht

Q14: 11:30:: Art der Allianz: Integrative Allianz – Sie sind Zulieferer für Ihren Partner

A: Ja

Q15: Konnten Sie Ihren Marktanteil durch die Allianz erhöhen?

A: Ja, selbstverständlich. Besonders in den ersten Phasen, bei bestimmten Produktgruppen dominieren wir inzwischen den Markt sogar, an anderer Stelle haben wir unsere Marktnische selber erfunden.

Q16: Hilft Ihnen die Allianz bei den Ausgaben für das Marketing? – Konnten Die Marketingausgaben reduzieren?

A: Ja auf jeden Fall – Was angenehm ist, unsere Anstrengungen in Richtung Marketing sind natürlich vergleichsweise begrenzt und natürlich nicht so professionell wie bei einem großen Unternehmen das da viel mehr Erfahrungen hat und seit längerer Zeit am Markt ist, Büros weltweit besitzt, etc.. Da können wir wahrscheinlich kaum gehalten, das hat uns sehr geholfen.

Q17: Konnten sie ihre Sichtbarkeit am Markt verbessern?

A: Das ist ein interessantes Thema. Wir wollten natürlich auf der einen Seite einen Zusammenarbeit – diese Allianz – haben, und wir sind natürlich beriet als OEM-Partner hier an manchen Stellen zurückzutreten was die Visibilität anbetrifft. Auf der anderen Seite haben wir mit unserem Partner z.B.: eine Doppelbenamung der Geräte vereinbart.

Q18: Also es ist immer der Trade off zwischen: Wie kann ich meine Marke ausbauen und wann wird sie behindert durch die Allianz?

A: Das war ein Punkt, da gab es durchaus Reibereien, natürlich wollte die andere Seite so etwas nicht, aber wir konnten einen Kompromiss finden.

Q19: Haben sie diesen [Kompromiss] aus Ihrer Warte zufriedenstellen lösen können?

A: Wir sind ganz zufrieden, weil in den meisten Produkten – auch wenn sie durch andere vertrieben werden unser Unternehmen/Marke sichtbar wird– der interessierte Nutzer erkennt den Ursprung auch bei den „reinen“ OEMs. Das stärkt die Reputation.

Q20: Also Sie sind schon so groß, auch wenn nicht Ihr Name drauf steht weiß man dass es von Ihnen kommt?

A: Es gibt gewisse Erkennungsmerkmale

Q21: Ihren Kundenstock konnten sie [durch die Allianz] erhöhen?

A: Ja

Q22: Die „Pipeline“ die Grundauslastung durch vorbestellte Systeme hat sich dadurch positiv entwickelt?

A: Ja natürlich. Generell konnten wir unsere Umsätze deutlich erhöhen. Auch sind die langfristigen Produktionsplanungen einfacher. Die Absatzzahlen sind stabiler

Q23: Ihre Marke an sich haben Sie dadurch verbessern können? Das Image leidet nicht darunter dass es irgendwo versteckt wird, sie konnten auch Ihre Marke ausbauen?

A: 16:00: Ja, ich denke schon. Möglicherweise hätte man das noch aktiver betreiben können, da bin ich jetzt nicht so sicher, aber gelitten hat es auf keinen Fall. Vor allem die Zusammenarbeit mit einem potenten Partner über viele Jahre sagt ja ach alleine etwas aus. Unser Logo ist i. d. R. genauso groß wie das des Allianzpartners auf den Geräten, damit kann man zufrieden sein

3) Erfolgsfaktoren

Q24: 16:45 Kommunikation: Haben Sie im Rahmen der Allianz Informationen weitergegeben oder erhalten um die Ziele der Zusammenarbeit zu erreichen?

A: Ja, in einem gewissen Maße ist das notwendig, aber sicherlich nicht vollständig. Wir geben nicht alles weg – auch innerhalb der Allianz. Auf der anderen Seite bekommen wir in der Regel alle Informationen die notwendig sind um unsere Systemkomponenten vernünftig zu konfigurieren. Darüber hinaus gehende Details interessieren uns gar nicht und die andere Seite eigentlich auch nicht. Allerdings gibt es schon Vereinbarungen, dass es z.B.: in Krisenfällen zu einem umfangreichen Austausch kommt.

Q25: Haben Sie Personal ausgetauscht, ist ein Mitarbeiter von Ihnen zu Ihrem Partner gegangen bzw. ist jemand von Ihrem Partner für eine gewisse Zeit bei Ihnen gewesen?

A: Ja, das haben wir beidseitig gemacht. Sowohl unsere Leute sind hingefahren und waren für einige Zeit dort als auch umgekehrt. Mit so einem Personalaustausch und den damit einhergehenden Unterweisungen ist man sehr gut in der Lage Wissen über die Projekte/Geräte zu vermitteln.

Q26: Und das ist unbedingt notwendig – wie wichtig sehen Sie das?

A: Letztlich geht es darum, die vielen kleinen und großen Stolpersteine die auf dem Weg liegen um ein Projekt zu einem guten Ende zu bekommen, wegzuräumen. Dazu ist es häufig das einfachste wenn man mit den

entsprechenden Leuten direkt im Kontakt ist. Die Kollegen lernen in wenigen Tagen häufig mehr, als wenn man das auf andere Weise organisiert. Ich finde das eine gute Idee, man muss nur überlegen wie weit man den Kollegen von den anderen Firmen, die dann in das Unternehmen reinschauen [Einblick gewährt] Kleine Einschränkungen der „Bewegungsfreiheit“ werden akzeptiert. Im Grunde geht es darum: beide Seite wollen das Projekt voranbringen, da geht man schon auf den anderen ein.

Es gibt natürlich auch Probleme. Zum Beispiel kann eine Kommunikationsschiene durch häufigen Personalwechsel gestört werden. Auch funktioniert es mit dem einen besser als mit den anderem.... Wenn sie neue Leute immer wieder in laufende Projekte einführen müssen, kann das manchmal anstrengend und auch nervend sein. Aber alles in allem, über Jahre gesehen, läuft es ganz schön.

Q27: Motivationen um die Allianz aufrecht zu erhalten? Sie sind der Zulieferer für Ihren Partner. Ist es seine Motivation möglichst viele Kombinationen seiner Produkte zu verkaufen und zieht Sie automatisch mit? Oder gibt es da noch andere Motivationen? Was ist das Modell dahinter?

A: Die Allianz hat immer einen klaren finanziellen Aspekt. Beide Seiten wünschen den wirtschaftlichen Erfolg! Alles andere ist i. d. R. Illusion. Man muss mit dieser Zusammenarbeit das Ziel erreichen, dass nicht nur wir sondern auch der Partner besser verkauft. 1.) Unser Produkt als add-on erweitert das ursprüngliches System des Partners 2.) Dieses erweiterte System ist dann ein Produkt, womit man neue und interessantere Sachen machen kann. Das schafft neue Interessenten führt letztlich zu einer Erweiterung der Marktbasis.,

Q28: Die Größenverhältnisse der Unternehmen

A: Wir sind ein KMU während unser Partner ein Großunternehmen ist.

Q29: Ist noch ein Partner an dieser Allianz beteiligt?

A: Nein, in dieser konkreten nicht

Q30: Wie wichtigen sehen Sie den persönlichen Kontakt oder gegenseitige Besuche um sich auszutauschen, z.B.: um neue Möglichkeiten vorzustellen?

A: Ich schätze diesen [Kontakt] sehr hoch ein. Wir sind auch noch Wissenschaftler. Auch die Leute die mit uns zusammenarbeiten, die Systeme entwerfen, haben neben dem kommerziellen Interesse immer noch so ein Bisschen „Restenthusiasmus“ für die Wissenschaft. Das heißt man kann sich auch gemeinsam freuen und da entsteht fast eine persönliche Verbindung zu dem einen oder anderen. Damit arbeitet es sich natürlich viel leichter, unter solchen Voraussetzungen ist man i. d. R. auch erfolgreicher.

Q31: Haben Sie da auch schon Rückschläge erlebt, wenn plötzlich Personal gewechselt hat?

A: Ja, das ist der Nachteil von so einer Geschichte, wenn man eine vertrauensvolle Zusammenarbeit aufgebaut hat, wenn die Personen dann wechseln ist das natürlich schwierig. Das muss man aber wissen, d.h. man darf sich da auch nicht zu sehr auf zu wenige Personen konzentrieren. Das haben wir inzwischen gelernt. Mittlerweile kennen wir auch schon viele Leute, da trifft uns das nicht mehr so. Aber früher gerade in der frühen Phase, da hatte man immer so einen Strohhalm in Form von ein zwei Personen...an denen viel gehangen hat,

das war dann besonders kritisch. Wenn die Zusammenarbeit etabliert ist, ist das weniger kritisch.

Q32: Wie würden Sie den idealen Partner beschreiben in punkto seiner Fähigkeiten und Ziele?

A: 25:00: Der ideale Partner ist jener, der vom Denkansatz (Firmenphilosophie) - möglichst ähnlich denkt. Der die Beobachtung des Marktes ähnlich interpretiert, der dann die fehlend Leistung liefern kann für etwas Neues. Also Dinge kann die wir nicht können, oder wo wir uns nicht engagieren wollen. Ein Partner der ergänzt und mit dessen Hilfe Produkte auf den Markt kommen können, die man alleine nicht entwickeln oder produzieren kann. Oder der auf andere Weise (z.B. Marketing) die eigenen, beschränkten Möglichkeiten ergänzt.

Q33: Also komplementäre Fähigkeiten zu Ihrem Unternehmen und ähnliche Ziele

Q34: Potentieller Konflikt mit einen Partner: Wie haben Sie versucht solch potentielle Konflikte in den Griff zu bekommen. Ich kommen wieder auf Verträge zurück: Sie sagten, sie haben Erfahrung mit sehr komplexen Verträgen gemacht. Rahmenvertrag vs. Komplexes Vertragswerk. Sie sind jetzt eher auf der Seite des Rahmenvertrages mit einem lockern Rahmen, der eine kontinuierliche Adaption ermöglicht?

A: Zum einen scheuen wir ein den Aufwand, den man bei der Formulierung eines Vertrages auf sich nehmen muss. Das andere ist, dass diese Verträge vom Leben schnell überholt werden. Es gibt Partner, die wollen alles sehr genau sehr präzise regeln. Das kostet Zeit, Nerven und Geld und trotzdem kann man nicht alles regeln! Da kommt man dann schnell wieder zu einfachen pragmatischen Absprachen, unabhängig von dem Vertrag. So dass der Vertrag im Endeffekt mühsam erarbeitet wurde aber nicht wirklich die Linie ist nach der sich etwas richtet. Unsere Flexibilität gestattet uns schnell auf sich ändernde Marktsituationen einzugehen. „Vertraglich“ würde man da kaum hinterherkommen Wenn wir präzisen Verträge kurzfristig updaten müssten, wäre das ein hoher Aufwand, der nicht gerechtfertigt wäre.

Deswegen sind wir nun zu der Variante übergegangen, dass wir bei quasi Standardprodukten alle wichtigen Dinge vereinbart haben (Ohne Rechtsanwälte). Also es gibt Artikelnummern Preise, Lieferumfang, mögliche Optionen ,Zahlungsziele und andere wichtige Dinge. Während insbesondere frühe, neue Projekte pragmatisch case by case gehandhabt und manchmal noch gar keinen Vertrag (außer ein paar Absprachen) als Grundlage besitzen.

Q35: D.h.: Vertrauen ist eine wichtige Basis für Ihre Zusammenarbeit innerhalb der Allianz?

A: 28:23: Ja, in unserem Markt in dem wir tätig sind ist es so.

Q36: Vertrauen ist wichtiger als ins Detail ausformulierte Verträge?

A: Ja, aber das würde auch in keinem Fall das Vertrauen ersetzen.

Q37: Ihr Kunde ist auch mit dieser Form zufrieden? Es hängt ja auch für ihn etwas davon ab – ob sie jetzt etwas liefern können bedeutet ja auch dass er liefern kann und umgekehrt?

A: Ja, wenn man über so viele Jahre zusammenarbeitet, Konflikte auch gemeinsam durchgestanden hat, dann kann man sich auf eine gewisse Arbeitsweise verlassen.

Q38: Also diese Vertrauensbasis geht in beide Richtungen, obwohl die Firmenstrukturen doch sehr unterschiedlich sind?

A: Ja, das funktioniert im Großen und Ganzen gut.

Q39: Spezialisierung: Konnten sie sich weitere auf Ihr Spezialgebiet vertiefen durch die Allianz und haben Sie Bereiche nicht weiterentwickelt? Wie sehen Sie Ihre Position als Spezialisiertes Unternehmen? Überwiegen die Vor- oder Nachteile?

A: Ich denke wir sind immer noch ein Unternehmen das relativ breit aufgestellt ist, vergleichen mit Umsatz und Beschäftigtenzahlen. Ich würde sagen, das hat auf der einen Seite zu der zunehmenden Spezialisierung geführt, das lag aber auch in unserem Interesse.. Es führte zu einer hohen Spezialisierung, aber auch zu einer hohen Kompetenz.

Q40: Zeithorizont: Quartalsziele vs. Langfristige Ziele – wo sehen Sie den Schwerpunkt in Ihrer Allianz?

A: Der Druck an der Stelle kommt vom Partner. Der steht viel mehr unter Druck bestimmte Zahlen zu erreichen als wir und wir helfen ihm dabei. Uns fällt es nicht besonders schwer die Vorstellungen von ihm zu entsprechen. Wir selber sind nicht so in den Quartalsrhythmus eingepasst, wir machen das etwas lockerer. Unsere Möglichkeit sehr schnell auf die Wünsche (Lieferzeiten verkürzen, Spezialoptionen) des Partners einzugehen wird sehr geschätzt und leider auch zu oft genutzt.

Q41: Verstärkung der Allianz: Sie können eine Allianz um ein bestimmtes Projekt bauen oder mehrer – wie gestaltet sich das bei Ihnen?

A: Es gibt eine ganze Reihe von Projekten, natürlich mit unterschiedlichem Umfang.

Q42. Sehen Sie das als etwas was die Allianz stärkt, wenn man jetzt nicht nur ein einziges Projekt in der Allianz hat?

A: Wenn man die Allianz will und sie stärken kann, dann sollte man das tun. Als kleines Unternehmen muss man natürlich wissen ob man dabei Stück Eigenständigkeit an das große Unternehmen verliert. Man muss das mit den eigenen Unternehmenszielen abstimmen. Bleibt genug Freiraum für eigene Ziele? Wir waren und sind erfolgreich in dieser Allianz und in unserem Fall sehen wir, dass der kleine und die große Partner sich gut ergänzen. Wir sind auf der einen Seite Zulieferer – klassischer OEM- Auf der andern Seite sind wir mit unserem kreativen und fertigungstechnischem Potential eine wichtige Bereicherung des Partners. In der KFZ Branche nennt man so etwas auch „Tuning-Bude“ Wenn Spezialwünsche von Kunden kommen, die ein großes Unternehmen i. d. R. nicht (kurzfristig) erfüllen kann, treten wir auf den Plan. Wir kennen uns im Partner-Produktportfolio gut aus. Das heißt Produkthanpassung, Systemerweiterungen neue Produkte entstehen bei uns auf eine Weise wie sie der Partner zur Zeit nicht realisieren könnte. Das schafft Selbstvertrauen und Wertschätzung und es macht Spaß!

4) Zusammenfassung

Q43: Welcher ist der wichtigste Erfolgsfaktor aus Ihrer Sicht?

A: Das allerwichtigste muss die Motivation sein. Man sollte die Allianz so aufstellen, dass der Profit oder Gewinn möglichst verteilt ist. D.h.: beide Seite haben Interesse daran diese Allianz voranzubringen. Dann ergibt sich alle andere. Dann muss man sich noch die richtigen Leute suchen mit denen man gut kann, dann findet sich der Rest.

Q44: Es ist also nicht so sehr das was Sie während der Allianz tun, sondern bei Ihnen liegt der Schlüssel in der Auswahl des Allianzpartners?

A: Der Allianzpartner und des Zieles. Dieses Ziel muss für beide sehr interessant sein. Das muss jetzt nicht nur vordergründig die Erhöhung des Umsatzes sein, das kann auch Ausbau des Markets sein, es kann alles Mögliche sein, aber es muss ein dringlicher Wunsch auf beide Seiten sein. Es ist schwierig jemanden davon zu überzeugen etwas zu tun, wenn er sich wenig davon verspricht.

Q45: Was war für Sie die wichtigste Lehre, die Sie aus der Arbeit in der Allianz gezogen haben?

A: 37:17: Man sollte seine kurzfristigen Hoffnungen/Ziele nicht zu hoch ansetzen und auch lernen, die Allianzen aus den Partneraugen zu sehen. Wir haben gelernt etwas geduldiger und nachsichtiger mit den „Großen“ umzugehen, weil die Prozesse, die in diesen Unternehmen ablaufen deutlich langsamer und für uns manchmal auch nicht verständlich sind. Auf der anderen Seite hat man natürlich, wenn der Prozess einmal im Gange ist, den großen Vorteil dass es dann wirklich läuft. Diese Form von Trägheit ist dann für uns sehr angenehm. Es kommt zu einer gleichmäßigeren Auslastung der Produktionslinien, die Bestellungen sind höher und kontinuierlicher. Man langfristiger planen,... das kennt man sonst bei KMUs i. d. R. nicht. Die Zusammenarbeit mit einem erfahrenen und leistungsstarken Partner erleichtert auch das überstehen von schwierigen Marktsituationen.

[Es besteht natürlich die Gefahr des Rückwärtsintegration unseres Partners nach dem Motto] Jetzt habt ihr ein schönes Produkt hier, aber eigentlich könnten wir das auch selber machen. Dafür müssen wir auch gute Gründe auf den Tisch legen, dass es dann nicht dazu kommt.

Bei uns ist die Allianz sehr wichtig, aber wir würden nicht zu Grunde gehen, wenn sie nicht mehr da ist. Die Selbständigkeit des Unternehmens ist uns im Moment sehr wichtig Der Partner weis das!

Auch wenn wir uns das mal anders überlegen könnten ist das eine gute, starke Ausgangssituation

Q46: ein Rat für mich?

A: Sehen Sie das Projekt auch durch die Augen des Partners und überprüfen sie ihren eigenen Nutzen/Aufwandsverhältnis in einer Allianz

Vielen Dank für das ausführliche Interview, schönen Abend

Interview 6

Date: May 6, 2009
Time at destination: 3 p.m.
Interviewer: AST
Interview-partner code: I6
Interview-partner position: CEO & CTO
Duration: 40'
Situation: Phone-call
Atmosphere: at office

Statistics:

Company code: S2
Year of establishment: 1992
Sector: Electronics equipment
Revenue: EUR 7m
Employees: 45
Location: German-speaking Europe

1) Interne Erwartungen – strategische Motivation

Q1: Wie definieren Sie eine erfolgreiche Allianz:

A: Zusammenarbeit zum gegenseitigen Nutzen. Fuer uns als SME geht es um den Verkauf durch den anderen Allianzpartner

Q2: Welche Aktionen sehen Sie als notwendig an um eine Allianz als notwendig zu gestalten: Aufbau und laufende Aktionen?

A: Vertrauen aufbauen oder schaffen. Fuer beide Partner ist es Neuland; im gegenseitigen Nutzen gibt es auch eine gegenseitige Abhängigkeit.

Q3: Sie setzen etwas ein um die Allianz am Laufen zu halten – wie sehen Sie die Anstrengungen/Aufwendungen auf der einen Seite im Verhältnis zu Ergebnis aus der Allianz – sehen Sie das als ausgewogen / Mühsam oder als vorteilhaft an?

A: Die Aufwendungen sind Entwicklungseinsätze unsererseits, die unterbezahlt oder gar nicht bezahlt sind. Es handelt sich dabei nicht um bezahlte Entwicklungen, sonder um eine Vorinvestition für einen zukünftigen Markt ausgelegt ist. Die andere Seite muss in das Marketing investieren, das wir als Hersteller nicht bezahlen.

Q4: Es gibt auch Dinge, die Sie nicht machen müssten wenn Sie keine Allianz hätten und alles im eigenen Haus machen würden. Zu solchen Anstrengungen fallen z.B.: Verträge, Kommunikation die mit dem Partner notwendig ist.

A: Wir haben offene Partner, die fast freundschaftliche Beziehung pflegen. Die Formalismen sind in unserer Allianz gering. Vor allem was Verträge betrifft sind wir in der Lage vieles über mündliche oder kleine Absprachen zu realisieren und den Aufwand der Kommunikation habe ich immer auch wenn ich es selber verkaufe, dann habe ich diesen mit den Kunden.

2) Externe Erwartungen – Marktsicht

Q5: Wie sehen Sie die wichtigsten Veränderungen, die durch die Allianz ermöglicht wurden in Bezug auf Markt, Marktanteil, Marketingausgaben.

A: 7:30: Wenn wir diese Allianz nicht hätten und keine Alternative dazu, hätten wir bei weitem nicht die Größe und den Marktanteil den wir jetzt haben. Wir konnten dadurch rascher wachsen als wenn wir alles alleine gemacht hätten. Ich würde vermuten, wir hätten eine ganze Produktschiene jetzt nicht oder in nur ganz kleinem Masse in Europa. Darüber hinaus hätten wir auch die Weiterentwicklung nicht, denn letzten Endes ist der Verkauf eines Produktes dafür verantwortlich dass ich dann Folgeprodukte und Modifikation entwickeln kann. Das wäre alles nicht vorhanden ohne die Allianz.

Q6: Die Impulse etwas Neues zu entwickeln – kamen die eher vom Allianzpartner oder von Ihnen?

A: 9:00: Impulse kommen zum größten Teil durch den Kundenkontakt. Wir versuchen immer den Kundenkontakt aufrechtzuerhalten – auch zu den Kunden an die wir über die Allianz verkaufen - sei es durch die Messeauftritte, dass wir am Stand mit unserem Allianzpartner auftreten. Letztendlich sind es die Kunden, die die Anstöße geben (60 – 75%). Die restlichen 25-40% kommen daher, dass der Allianzpartner neue Geräte entwickelt, woraus sich neue Anforderungen, Wünsche und Lücken an die Produkte ergeben, wo wir wieder einsteigen können.

Q7: Sichtbarkeit: Wenn man einen starken Allianzpartner hat, tritt nach einer anfänglichen Euphorie womöglich ein Sättigungseffekt ein, da man dem Kunden gegenüber hinter den Allianzpartner gedrängt wird?

A: 10:34: Da sind wir immer fair behandelt worden und die Absprachen sind so, dass unser Name immer auf den Produkten mit auftaucht. Bis auf wenige Produkte – wir haben ein paar Produkte die wirklich reine OEM-Produkte sind, die dann unter einem fremden Label gelaufen sind das war dann von vorn herein so vereinbart – mit beiden Labels vermarktet. Nachdem wir diese Vertrauen hergestellt haben – Zuverlässigkeit in unserer Kapazität und Produktspezifikation - das geht weiter dass unser Label noch weiter nach vorne tritt. Dass wir eigene Gestaltungsvarianten einbringen, die dann vom Allianzpartner auch akzeptiert werden.

Q8: Glauben Sie dass ihr Allianzpartner von Ihrem Namen profitiert?

A: 11:45: So weit würde ich nicht gehen. Üblicherweise in bestimmten Verkaufsgebieten ja, wo wir auch mit anderen Produkten schon einen Namen haben.

Q9: Ich habe den Eindruck, dass Ihr Name in Europa im letzten Jahrzehnt mit dem Ihres Allianzpartners fast gleichwertig ist.

A: Danke fuer Ihre Einschätzung. Es ist schon dass das beim Produkt O immer wieder die Frage kommt – die Produkte O machen doch Sie? Obwohl das nicht draufsteht kommt immer wieder die vorsichtige Anfrage „das sind doch Ihre Produkte“. Bei anderen Produkten – die ja wirklich unsere Produkte sind sehen wir vor allem in den U.S.A. dass die Bekanntheit bei weitem noch nicht so groß ist wie wir uns das wünschen. Die Vermarktung der Produkte die über einen Distributor gehen läuft deutlich schlechter als jene der Produkte, die über die Allianz gehen. Die Allianz ist positiv für uns!

Q10: Es handelt sich bei der Allianz um eine integrative Allianz – Sie sind Zulieferer für Ihren Allianzpartner?

A: Ja

3.) Erfolgsfaktoren

Q11: Kommunikation: um Vertrauen aufzubauen – haben Sie Informationen preisgegeben / erhalten? Wie wichtig ist dieser Faktor

A: Kommunikation ist ganz wichtig für uns. Speziell für uns – unsere Produkte sind vielfältige – Variationen, etc. Schließlich kann der Allianzpartner die Geräte nur so gut verkaufen wie wir diese Information an die Verkäufer und Kunden überbringen. Das ist für mich eine der kritischsten Stellen in unserer Allianz, weil die Arbeitsweise in den USA doch anders ist. Wir haben in der Zeit in der wir mit unserem Partner zusammenarbeiten bereits 6-7 Produktmanager als Ansprechpartner gehabt. Da waren einige dabei mit denen hat es gut geklappt, andere mit denen hat es weniger gut geklappt. Das setzt immer wieder erneutes Anlernen voraus, das Einarbeiten des Partners und das dauert und ist ganz kritisch. Wir müssen verschiedene Informationen preisgeben, damit der Partner selbständig genug arbeiten kann. Das sind nicht immer die Informationen, die ihm sofort in die Lage versetzen die Geräte nachzubauen. Wer sich damit beschäftigt kann es natürlich in einiger Zeit aufbauen.

In der anderen Richtung: unser Allianzpartner hat keine hohen Hürden in der Information mit dem Kunden. Wir haben oft Conference-calls im Dreiergespräch mit dem Kunde und dem Kundenbetreuer auf der anderen Seite. Das heißt dass wir dann auch seinen Namen wissen und dann direkt mit dem Kunden umgehen können. Somit haben wir Zugang zu Marktinformationen.

Q12: Haben Sie Personal ausgetauscht, ist ein Mitarbeiter von Ihnen zu Ihrem Partner gegangen bzw. ist jemand von Ihrem Partner für eine gewisse Zeit bei Ihnen gewesen?

A: 20:20:Ja, für Trainingszwecke hat das statt gefunden. Wir haben Schulungen hier und Sales- und Techniktrainings in den USA gemacht.

Q13: Zu den Anreizen zur Kooperation: Nichts passiert automatisch. Gibt es eine potentielle Konkurrenzsituation mit ihrem Allianzpartner?

A: 21:28: Kann vorkommen, ist bisher noch nicht passiert auf den Gebieten wo wir kooperieren. Es gab einen Fall, wo eine Anfrage bei uns reingekommen ist, wo der Auftrag dann an eine Konkurrenzfirma gegangen ist.

Q14: Von den Größenverhältnissen: sie sind ein KMU und ihr Partner ist ein Großunternehmen.

A: 22:25: Ja

Q15: Die Größenverhältnisse der Unternehmen

A: Wir sind ein KMU, während unser Partner ein Großunternehmen ist (ca. 1:100).

Q16: Wie wichtig finden Sie Besuche; persönliche Kontakte zu ihrem Partner – wie wichtig finden Sie das gesehen aus dem technischen Blickwinkel? Besuchen Sie sich gegenseitig?

A: 23:00 Ich denke eine gute Kommunikation kann nur schwer statt finden wenn man nicht ein Gesicht hinter dem Gesprächspartner sieht. Gerade durch die Sprachbarriere ist es natürlich sehr wichtig dass man da eine gemeinsame Ebene findet und dabei hilft der direkte persönliche Kontakt. Nun kommt dazu, dass die relevanten Messen i.d. USA sind, sodass wir uns da ohnedies vor der Haustüre sind und da treffen und sehen und das für unsere Kontakte nutzen. Wir fahren da meistens zum Partner hin um dort ein Sales-training zu geben. Wenn unsere Partner hier in Europa sind nutzen sie ebenfalls oft die Gelegenheit vorbeizukommen um zu gucken wie sieht es bei unserem Partner aus. Je besser der Kontakt zwischen den Techniker ist, desto schneller werden Fragen geklärt; wenn das nicht den langen Weg durch die Bürokratie gehen muss, sondern Techniker x den direkten EMailkontakt zu Techniker y [im Partnerunternehmen] hat und das Problem in einer kurzen mail oder einem Anruf klären kann.

Q17: Der ideale Partner für Sie – wie würden Sie den beschreiben in Hinblick auf seine Ziele und Fähigkeiten?

A:25:00: Er muss in erster Linie genügend Aktivitäten in unserem Marktsegment aufbringen (Kritische Masse) und darf z.B.: nicht das wissenschaftliche Geschäft zugunsten des nichtwissenschaftlichen Geschäfts vernachlässigen;
Sollte ehrlich sein und mit offenen Karten spielen;
Probleme frühzeitig ansprechen, sodass es dann nicht zum Crash kommt und diese schneller gelöst werden können
Ergänzend: gute Verkäufer; Komplementarität

Q18: Konfliktlösung – wie haben Sie in der Vergangenheit solche Konflikte gelöst? Haben Sie sich vorher etwas überlegt, oder sind lösen Sie diese vielmehr nach Bedarf?

A:27:40:Da diese Allianz gewachsen ist kam es kaum Überlegung wie Konfliktbeseitigung gemacht werden soll. Das entscheidende ist eigentlich, dass wir mit den Personen beim Partner immer dein Eindruck hatten dass wir Konflikte ansprechen können und mit gemeinsamen Maßnahmen lösen können.

Q19: Wenn Sie Ihre Aktivitäten beschreiben, haben Sie weniger intensiv in Verträge und Rechtsanwälte, und dafür mehr ins Gespräch mit den Partner investier?

A: 29:00: Der Vertrag existier, sie sind so, dass sie in einem einigermaßen normalen englisch ausgeführt sind und wir meinen ohne Juristen den Vertag zu verstehen. Da stehen einige Grundbedingungen drinnen, dass wir keine konkurrierenden Produkte verkaufen dürfen, mit keinen Konkurrenten Firmen eine Geschäftsbeziehung aufbauen dürfen – also eigentlich Selbstverständlichkeiten. Es ist das Territorium definiert,

Q20: Sie haben einen Rahmenvertrag, der die Allianz definiert?

A: Was fällt unter die Allianz, was nicht, was dient ihr oder widerspricht ihr.

Q21: Sie haben aber nicht Wochen und Monate mit teuren Anwaltskanzleien verhandelt um noch einige Details zu ändern?

A: Nein das nicht, einen RA haben wir sehr wohl drinnen, der hat sich durchaus rentiert, wir haben ja auch andere Beispiele.

Q22: Es ist ja grundsätzlich so, dass Verträge immer inkomplett sind, also nie alle Eventualitäten in Betracht ziehen können – d.h.: Sie bauen vielmehr auf

Vertrauen und gegenseitige Kommunikation als dass Sie so einen Vertrag favorisieren?

A: Ja, letztendlich sind wir in dem Glauben, dass nicht nur ein gegenseitiger Nutzen, sondern auch eine gegenseitige Abhängigkeit besteht. Der Kunde macht Angebote, er will dem Kunden etwas hinstellen und wenn der Partner uns verprellt, steht er auch erst mal nackt da. Diese gegenseitige Abhängigkeit ist es auch die beide Seiten an den Tisch zwingt, es nützt nichts wenn wir vor ein Gericht ziehen, da hat keiner etwas davon.

Q23: Konnten sie sich im Rahmen der Allianz spezialisieren bzw. verbreitern? Konnten Sie sich auf das spezialisieren, was Sie immer gerne getan hätten

A: Wir konnten in den allermeisten Fällen das tun wo wir denken das seine Zukunft darin liegt. Es ist die Entwicklung meistens auf eigenes Risiko gewesen, wir haben mit Sicherheit die Vielfalt innerhalb einer Produktlinie deutlich verbessern können. Spezialisierung in dem Sinne würde ich nicht sehen.

Q24: Wenn Sie jetzt die Allianz betrachten, wo stecken Sie die meiste Arbeit hinein. Wir haben Quartalsziele, wir haben kurz- und langfristige Projekte. Wo liegt bei Ihnen der Schwerpunkt?

A: 34:00: bei uns liegt eindeutig der Schwerpunkt in langfristigen Zielen, in der Allianz gehört es dazu, dass wir die Quartalsziele erfüllen, da der Allianzpartner aufgrund seiner Struktur eine quartalsweise Abrechnung hat und somit gewisse Liefertermine erfüllt werden müssen. Unsere Projekte haben langfristige Ziele.

Q25: Um eine Allianz zu verstärken gibt es die Möglichkeit nicht nur in einem Projekt mit dem Allianzpartner zusammenarbeiten, sondern gleichzeitig oder sequentiell mehrere Projekte abzuschließen? Der Vorteil liegt in der Stärkung der Allianz, der Nachteil die eingeschränkte Selbständigkeit. Wie sehen Sie das?

A:35:15: Wir haben sehr gute Erfahrung mit dieser Allianz, die logische Schlussfolgerung wäre, je mehr Produkte man mit dem Allianzpartner hat desto besser müsste es gehen, man gerät jedoch in eine Abhängigkeit. Tendenz: wenn mehr möglich wird mehr getan, da die Erfahrung so gut ist, die Gefahr der Abhängigkeit existiert.

Q26: Sehen Sie noch einen CSF?

A: 27:40: Was ich kritisch finde ist das Bestell- und Lieferwesen.

Q27: Wegen der unterschiedlichen Strukturen?

A: Bei den Verkäufern haben wir einen höheren Stellenwert. Im Einkauf sind wir einer von Vielen. Da zählt nur die Artikelnummer. Die betriebsinternen Prozesse führen dort zu unnötigen Verzögerungen, die viel Aufwand unsererseits bedeuten. Das ist in der Allianz eine der schwierigen Seiten.

Q28: In Punkto Auslastung – entspannt das die Situation in ihrem Unternehmen? Grundauslastung vs. mehr Schwierigkeiten?

A: Das höhere Volumen führt dazu dass der Einzelposten weniger kritisch ist. Jeder Einzelkosten war zu Beginn mit viel mehr Aufwand verbunden.

4) Zusammenfassung

Q29: Was haben Sie aus dieser Allianz gelernt, und welche Empfehlung würden Sie mir geben wenn ich in eine Allianz – ähnlich wie Ihre Situation – eintreten möchte?

A: Ruhig bleiben, sich nicht über die andere Kultur aufregen, die ist eben mal so, man muss einfach lernen damit umzugehen. Das sind aber eigentlich Kleinigkeiten.

Empfehlung: Versuchen sich den Partner genau anzugucken.

Q30: Haben Sie erwartet, dass sich das so entwickelt, oder hat es sich so entwickelt?

A: Es hat sich so entwickelt – die Sachen brauchen Zeit, was nicht heißt dass man es nicht aktiv hintertreiben soll.

Ich würde sagen, dass war ein schönes Schlusswort, ich darf mich vielmals dafür bedanken.

Interview 7

Date: May 11, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I7
Interview-partner position: CEO
Duration 48'
Situation: Phone-call
Atmosphere: at home-office

Statistics:

Company code: C2
Year of establishment: 1961
Year of merger: 2004
Sector: Electronics equipment
Revenue: US\$ 200m (2003)
Employees: 1000
Location: USA

1) Internal expectations – strategic purpose

Q1: How would you define a successful alliance – what are your expectations from an internal point of view?

A: The alliance with our partner was in many respects successful. From the business perspective, it was highly successful. We created a new product line together, we created essential a brand new product line and it was not something we were going to do. My president at that time refused to fund it. He knew that the group that manufactured non standard systems of such kind of a product existed and was not profitable all the time. There was some reason for that. It was mainly because of they were not conservative enough in their specifications. They ended up in eating a lot of cost in warranty. That was the element that our president said, he we are not going to do this.

Me for heading the marketing organization at that time knew that there was a market opportunity, needed to figure out how to take advantage of that opportunity, if it was something my organization was not going to do. I looked at several options. [company C] – actually we were very close to signing something with [company C]. The reason why we did a few projects with our partner was that they didn't have a necessary complementary [product K]. I went back and forth with the president of [company C]. We had worked with [company Q] earlier and that had really not gone as well as we would like. To our partner's credibility, they did a rush development on their complementary [product K] then. That turned out later on to have some problems down the line, but they demonstrated very quickly, that they had the technology. Off course, there was a lot of desirables – they were close, the proximity was a great advantage; the ability for us to ultimately sign off on the product. All quality assurance was done by our company. We didn't feel that a small start up did have the right mindset to do it on their own. Actually that was absolutely true. Off course over time, they got a lot better. It was a great source of aggravation, because as soon as we signed off on a product, it became ours and we were responsible for the performance in the field and the installation. But once again accentuate the positives: They were close, they rapidly developed the [product K], we had an existing relationship although on a very low level with a few custom systems and we put an

agreement in place that allowed us to have the QA essentially inside on our side and we would not sign off on a product until it met a certain final test protocol.

6: 55: To my mind, the epidemy to the ultimate success of this relationship was the year we introduced the [product M]. This was a brand new product. In parallel we created enough units for our partner to develop their integrated system, and the 2 products were launched simultaneously. I can tell you that was probably one of the strongest showing that we had this combination totally destroyed out competitor [company C3] at that time. The point was to achieve that, we had parallel engineering meetings. We had those meetings at our partners site and we always had several people from our company in that development team; that was such a very close coupled connection. Off course there were multitudes of silly personal issues with partner I8. But if you tried to put all of that aside, and what was accomplished, it was highly successful.

Q2: Coming back to the question, what do you define being a successful alliance?

A: 10:00: We had a contractual agreement in place, we had working relationships between different points of the organization, There was a parallel structure on both sides. This didn't come out of the initial meeting that developed over time. Clear coupling the financials, the ability to be flexible. If we need to optimize the financial for a monthly performance, we would look at how we could adjust the backlog – so complete transparency on production and backlog, we in turn provided transparency of the field ordering forecast; really full optimization of the business.

The ability to deliver really ground braking new products together at a trade show. At the end of the day, however it is about the financials and we grew the business significantly. When or partner S2 was sold, their overall revenues were about \$ 21m and it started basically from the first SBRI contract of 750k\$ and it was funded by rammed up their founders Visa cards.

13:00 Basically we were able to sell their product with some profit – obviously not as much as if we would make tit ourselves – but every sale of their product was usually coupled with sales from my company C2.

2) External expectations- market view

Q3: Can you say something how their market share developed?

A: We were the dominant supplier we had over 55% of the total market with all of the various options that were available. Our competitor [company C3] did not have anything comparable, you had a few systems from [company C], a few from [company B], this was before [company FL] entered the market.

Q4: Can you comment on the visibility of your alliance partner? Was this a reason why the alliance broke?

A: The relationship begun to fall apart as they became more and more successful. They begun to develop their own sales force that undermined the initial relationship where all distribution was to go through us. They also developed a couple of products, they were not our products e.g. for the semiconductor industry. Ultimately, our company wanted to bring our partner's organization into our large organization. That was at a time, we were just acquired by another owner, but I think we gave them a very attractive offer. The day to day dealings became more and more difficult as they became successful they felt they could do things in a different or better way. I am sure they were positioning themselves for some kind of exit strategy, and we ended up in making them an offer and the

CEO of our partner realized that his role in our organization would probably be minimal because he aggravated a number of people over the years. He was probably going to use the offer for a shopping tour to look for competitive offers. The actual deal was orchestrated through our owner at that time, but there was clear deterioration of the relationship, because they had motivation in maximizing their to the investors. They didn't know the company C3 (their future owner) at least from day to day involvement. I did know that company C3 clearly was desperate to get that company, because they had nothing in this space.

3) Critical success factors

Q5: Do you believe that continual communication develops trust and keeps joint projects on target?

- Did you share information?
- Did you receive information important to meet your goals?
- Did you exchange personnel on a temporary base between your company and your alliance partner?

A: 19:11: A lot of confidential information was exchanged, teams were working together in particular engineering projects,
The main thing we tried to discourage – and it happened to 1 or 2 people only, and it was always a major hassle was a person leaving one company and going to the other.

Q6: Your partner was your provider and it turned to be a rival or at least prepared itself becoming a rival?

A: The alliance was very successful for creating value for both companies. One of the problems was, there were ownership changes on our larger company; that may have caused some changes in the policies. Our president believed long term that the OEM-market would be the dominant market for us and the small alliance relationship will be less and less significant over time. That looked like a viable business model until the dot.com crash. The OEM sales were beginning to dominate the sales of the company and their growth looked very solid and all over sudden, 2000 everything collapsed. Suddenly the non OEM-market was important again and then not long after that we were acquired. The whole process could have been orchestrated better, there were some strong characters however involved may be causing this process going the way it did, and on our partners' side, they were optimizing their return to the investors. Looking at it purely financially, if I can get 3 more million \$ for my company, why not? They felt the relationship with the competitor [company C3] that would have more value to them at the exit as individuals as going on with us. The exit is really there, where the relationship fell apart. For a short term they were very well received from [company C3], but rapidly you know, interview partner I8 disappeared from company C3.

Q7: How need the goals and the capabilities of a company match to each other in order to maintain trust in the alliance?

A: 24:41: As part of our strategic alliance contract we tried to spell out the areas where we would stay away from and what expertise they would bring and what expertise we would bring into a market segment and how ultimately we would piece that all together. At one point we would even produce an [product O] which was another accessory and I felt we would come too close and I tries to reign that in and we did the [product O]. So we tried to kind of boxing their product around

our [product O] and our final product at an end point, with their [product A] in the middle.

One thing was the introduction of the [product E], which was also a very grey area. They came out with a diode technology and that caused a lot of consternation between the 2 companies. We worked through that, we decided the relationship was strong enough and again, we defined some market segment areas. I have to say it took a lot of energy to steer this relationship and keep it together for such a long time.

Trust in the

Q8: Regarding the contract: did you involve expensive lawyers?

A: No we did not. It did have legal review at the end, but the initial contract was really done between interview partner 8 and interview partner 7 or including our former CEO. We had several contracts, it was like a 4 years time period and in fact that is what ultimately initiated the final split, because a new contract was up for discussion and the general feeling on our side was we wouldn't go for another 4 years, we needed to change the structure of the relationship. So we initiated the fact that we would like to acquire company S2. So the contracts originally were done between the presidents of the company, there were not lengthy legal documents, they really toughed upon the key elements defining the technology, the deliverables, a price schedule and a series of products that would be exchanged. There were other pieces of relationship where e.g.: optics would be supplied from us to them, to share some of our technology for their development, we provided access to them for our diagnostics equipment. The contract was reviewed by attorneys later. We went through 3 contracts and the 4th one ultimately was the 4 - 5 years contract. However it included gentlemen agreements that while we work through a new contract, the relationship will be intact.

Q9: Regarding Specialization – could you and your partner specialize on certain product areas during this period? Was this a CSF for your alliance?

A: 30:00: If we would be able to do this in house, my preference would have been to do it in house. However the mandate for the business that time from our president was that the company will have most of its new investment in the development of OEM architectures. So the benefit to our company was to put more investment and focus our R&D in areas we developed as core competencies. Our partners' [products A] were not reviewed as core competencies, but our [products O] were. That allowed us to specialize and to not invest in the R&D of other products but still benefit from the upside market.

Also because it helped a larger number of existing products.

Q10: Beyond focusing on a single product, but to have sever product developments within this alliance in parallel – did you have this in place?

A: 31:45: Absolutely, we had roadmaps together for each product, there were times where our partner was a little bit secret about this roadmap, but generally there was communication that was done on a consistent basis, it wasn't weekly, but it was every 2 weeks; I spent a lot of time at their facility, and so the 1st generation were the initial products and you could see the roadmap that developed over time, that went from [technology L] to [technology D] that went from initial power to 4 times the power, that was an evolution. Similar on other technological approaches.

Q11: You had a frame that was due to renew every several years, and there was a certain time you had to enter into renegotiation talks – so it was not open ended, it had to be actively prolonged.

A: 33:23: The contracts run about 4-5 years, in some instances we do an automatic extension, but generally they were updated. There wasn't a lot of new language, but e.g. new technology became available. The 1st generation of [product K] exclusively was sold to us; the 2nd generation involving a different technology had been exclusively sold through us as well. It was a 4-5 year time period, the contract was reevaluated in what was going on, pricing might have changed too.

Q12: I am more looking on a frame that can be open ended or on a longer tie scale. Did you have 2 levels in this contract, or was it basically 1 contract that had to be renewed entirely?

A: 34:35: So it was really one contract that we had. There was a variety of items we had, there was a section it dealt with the product itself, another would deal with what the relationship would entail, what would be available to sell through us, then there was clauses of restricted development on either side, obligations in terms of specs, timing, etc.

Q13: The contracts by itself – the efforts and cost sitting down involving attorneys – which you did at the end – but all together you could minimize that by doing most of that yourself. So there were no complex contracts involved, which eat up a lot of your budget for establishing the alliance?

A: 36:14: Correct! I think the way we did it – sitting down and writing the contracts by ourselves – that was more a reflection of the size of our companies at the time. Our company was big in some respect, but not big in others. Revenue was still under USD 200m and in many respects it was a medium to small size company. If that relationship would have been with a bn \$ company, there would be enormous expense associated with the contracts. It was minimal, but in a different size of organization it could have been a lot more costly.

4) Results

Q14: What do you think is the most important CSF we had now talked about?

A: 37:36: Trust is extremely important, to be honest, there was concern about trust on either side.

But I think communication is the #1 thing. Generally, when there were issues, it was always, because communication had broken down somewhere in the organization. Open communication and trust is really the key issue. Obviously you got to have a technology need, a market opportunity and all those things, What really makes it successful is communication and understanding one another's goals: They wanted to be a \$ 20m company, we wanted to create a \$ 25m product line that enabled us to sell twice as many of our products. These were financial goals and strategic goals for both companies. Looking at it from the outside it is a complete success story.

Q15: What is the most important thing you have learned from that alliance?

A: 39:11: The one thing that I would learn from this is that the exit-strategy needed to be thought through much earlier in the process.

Q16: Regarding the exit: Do you think it would have been better to offer your partner more space within the alliance or do you think the opposite, it would have been better to integrate them earlier into the big organization?

A: 40:22: Our partner was able to get some name recognition, they clearly had a presence at shows; generally they would always be very close to the big organization in terms of physical location at trade shows. When you look at the success story, they ended up selling the company for x times the revenue and 60% of those revenues were coming from us. That was the majority of their revenue. They would not have grown as quickly neither would have such a big market presence without the alliance. [The integration] was handled poorly and a part of it was the fact that the mother company went through some major ownership changes and directionally we went to the dot.com and telecom. The ownership change of the entire organization may be catalyzed their desire not to be part of our organization. We were no longer a publicly traded company. In hind-side an exit strategy should have been worked through much more actively earlier and better planned, but you can never foresee off course the fact that the ownership would change on the large.

Q17: I, Andreas plan to enter with my small company into an alliance with one of the big companies around, just give me an advice.

A: 44:00: First being very clear about what your goals are. Also understand your own exit strategy. In a situation where 60% of your revenues are coming from one company, you easily could be cut off from the market place. From the p.o.v. from the large manufacturer you want him be cut off from the marketplace. So my advice is: be clear, what the relation would look like in 5 years time. Company x (small) goes into a strategic alliance with company y (large). In 5 years down the line you have to say this has been successful. If you look at our alliance, 5 years after the interception, the products that had come out – you look at it from the outside and say “whaaaooo!” this has been successful. But try to figure out – do you want to be bought by this company? Do you want to sell a product line to this company?

Can the alliance get you where you want to be in e.g.: 3 years after with twice as much revenue?

Q. Thank you very much, that was extremely interesting!

Interview 8

Date: May 15, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: #8
Interview-partner position: CEO
Duration: 55'
Situation: Phone-call
Atmosphere: at home

Statistics:

Company code: S2
Year of establishment: 1991
Year of merger: 2003
Sector: Electronics equipment
Revenue: US\$ 20m
Employees: 45
Location: US

1) Internal expectations – strategic purpose

Q1: Internal expectations describe the “micro-view”, the view from within the company; related to a business strategy. Please let me start with the 1st question: How would you define a successful alliance – what are your expectations from an internal point of view?

A: That depend a little bit on what the goals of the alliance are. In general, the alliance has to promote the goals of the company; to help the company either with its product development or with the marketing of its products; in such a way that you benefit more than if you would not have the alliance. The main thing is the alliance needs to match the goals of the company. If you are entering an alliance which may be takes the company into a wrong direction, and change the focus of the personal of company or the direction the company has gone without really reconsidering that, could actually cause some problems, that you did not necessarily foresee. If you are getting into such an alliance, you often sign contracts with multi year long. So if you have not recognized or think about those things upfront, [you may run into trouble]

Talking in particular about the specific alliance, the advantage was that obviously we had technology that was very complementary to our alliance partner’s technology. And putting their [product O] to our [product A] enabled a few things that other companies where not able to do. 1st from our perspective, it gave us access [to the market] very quickly [for our products]. If we would not have gone in this alliance, we had to develop [product O] on our own or negotiate with a number of other companies to try to get into an alliance with them. So it enable us to get into the market with our [product A] much more quick and with a less expense than we otherwise would need. And I think it is true that it is the case also from our alliance partner’s point of view. They didn’t have [an A-product] and at the time they didn’t have the resources to develop such a product. They worked on the [Q-product] and had to upgrade that. They had not product offering in the [A-product] range and they didn’t have the resources to producing it by their own.

So this was the primary reason for getting into that alliance and the reason it was successful for us was that our alliance partner brought into it a world-wide marketing organization which we didn't have as a small company. We had a much better exposure of our products world wide. It was a huge advantage for us, that they had a great organization in [country A]. We would have had difficulties in entering a market like that. So it was very synergistic and it worked well for both sides and it helped to get into the market much quicker

Q2: So time to market is an important goal of this alliance?

A:5:48: In this particular alliance it was very important.

Q3: In your opinion: which are the most important efforts for keeping an alliance afloat – what can you say from the p.o.v. of your company like communication, contracts. What were the efforts you invested to keep this alliance afloat?

A: 6:30: There were a number of issues: It is the relationship developed in the alliance, there are a number of things that we discovered, we haven't thought about: From my perspective, the 1st thing that happened that was the most important one: Our partner has a real expectation to the quality of our product, and the way that they were going to respond to warranty and service issues from the customers. So we got a reasonable amount of products in the field. In the early phase, in the mid nineties we had a number of issues with our products that occurred in the field, after the products have been shipped. Some of them had to do with reliability issues, the performance not meeting the expectations of the customer. Sometimes it was because our partner's sales team raised unreasonable expectations in the eyes of the customer. That was because they had to sell a product line, they were not used to sell it. So what we found was, we had to put all resources of our company into that particular alliance. What we initially expected. We had to perform some on sight service work again all over the world. Our partners' service team took a long time to come up in speed. We were doing a lot of installation initially, because they didn't have people that were trained. Again, they didn't have those resources, they were dealing with their own issues and they had masses of them. So they basically pushed back those problems to us. The other problem was, that the sales engineer of our partner never really – at least initially – didn't learn the product very well. So we ended up with a couple of problems. One was customers that had unrealistic expectations. Another one was that some of the sales engineers would realize that they would run into death – they had to make a very big sale to make – several hundred thousand Dollars and our [A-product] is key to it, than we had to send someone from our company to close the deal. We had to go on the customer's side, because our partners engineers weren't trained very well.

Q4: So you also mean that [your alliance partner's] sales force needed your support from your side?

A: Absolutely! Over time, the situation eventually bated a little bit, after they had their own problems improved. Our partner put more resources into the product and also the management and people who are responsible for managing our product line at our partner changed, that was when I met [interview partner #7] actually

10:40: Prior to that, it was managed thoroughly through R&D at our partner, so we were then telling their M&S guy "look here is another product you can sell" and our negotiations went a lot through R&D. When the market looked like it was something solid, and the sales begun really to pick up, our partner took the decision to put the management of our products under S&M and [interview partner #7] got involved. And then they put a lot more resources – a service

team that was specialized in our products and they gave more training to the sales staff. After a few years it got better. It never got perfect, there were always issues with sales and services, but it got a lot better.

Q5: 11:40: It is a very complex product, which can't sell like a car?

A: When I was still looking on fault there, without pointing finger at our partner, the fault that took place is on neither side recognized is in managing a complex product like that so a lot of the issues that would have been good to agree upfront on who takes care on sales and services, on different problems that may take place - how we train the sales force and all those things we should probably have defined upfront and never got done. We dealt with those issues as we went on, but it was on an "as-needed" bases, and because of it, it was more painful I think than upfront deciding who shall take responsibility on which cases.

Q6: Did you have a written contract or a written set of rules once you had a problem that you could get back to a solution or how was that organized?

A: We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable 13:29 rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do. That particular contract by its nature was rather short and did not cover all eventualities we might run into. So we dealt on a case by case bases when a problem that became cropping up. When we felt we needed an understanding on it was we would write up an addendum to the contract which should be a page or so long on how to deal with those issues going forward. It really was at that point, the spirit of the alliance was to make it move forward and to be a benefit for both parties.

Q7: 14:25: That sounds excellent - to start with a frame and once a problem appears you try to solve it and to write it down on paper - did you see a weakness here?

A: No not really

Q8: Would you make a different if you come in this situation again?

A: The only thing is to try to think more carefully upfront about the eventualities we may run into. E.g.: that our partner would be more careful with its installations - off course that never happened. And it didn't happen for a number of different reasons. You have to bear in mind that you also that alliance. A number of people - when looking back to both partners - were involved and there were a large number of personalities involved and when you get that number of people interacting there is always a number of issues cropping up. It is clear that people at our partner felt that we are more benefitting from that alliance and they should be more heavy-handed as they dealt with us in their negotiations. That wasn't necessarily [Interview partner #7] but we dealt with those people you know them, they are more difficult to deal with. Without naming names, I can tell about the sales guy from the [Territory E], which was extremely difficult to deal with. He thoroughly thought we should do everything bend over backwards for him. Whereas the sales guys in [Territory A] they were always prepared for everything to do to help us. This is true for service too. You know if a product fails, it always was that people at our partner felt that we should pay for repair. It was handled in the contract who will pay for repairs under warranty and out of warranty, however a lot of the people at our partner didn't have ever seen the contract. They were working under the direction of their supervisors and

they did have their own opinion how it should be handled. I am sure they could say the same about our company too. There where people at our company I had to tell them "don't interact with our partner" and we gave them a hard time too.

Q9: So if you consider all the problems in communicating with your partner, communicating on the service level, on the sales level, and on the other hand put all the contracts on the table – at the end of the day would you say it was worth all those efforts – comparing what you have invested and what you have gained from this alliance?

A: Oh yes, absolutely! All the efforts involved it was difficult to manage, but if you look what we have gained from it, there is no comparison. It was difficult to manage, and some times I wondered when going through those issues if it was worth that. I remember one specific case, when we negotiated with the sales guy from [territory E] I can't remember what the issue was, but it was to do with pricing I think, to win the sale he just wanted us having a discount. But I said no for this customer. And the response back was this nasty email saying "Hey you know I have a mortgage to pay" and this is going to far having to deal with this kind of an email. That is the time when I felt is was not worth it, but those issues were not very common. Occasionally I run into that kind of issues. In general it was a worth while exercise. My opinion on it is it would have been better for us to continue beyond the acquisition of my company. That didn't quite go as necessarily I would have chosen but may be this is a different issue.

2) External expectations – market view

Q10: May I come once again back to the market: You were a supplier to your partner. Was there also some overlap with your product portfolio, was there a competitive situation?

20:09 or was it -as you said at the beginning- very complementary to your partners products?

A: It was mostly complementary; there was a small amount of overlap we sold some products that were sold by our partner, but the overlap wasn't really difficult to manage. We had an agreement that we had an alliance on the [product A], [product B], etc. but that was fair game. Since we were 2 separate companies, it was easy to put on paper, but not so easy in practice. Because the overlap was so small, we had very few issues. The biggest issue on the overlap was with our custom laser group, where we made pulsed lasers on customized bass. Occasionally, we would run into a situation, where a customer's need could have been met by our partners' [product Q].

Q11: But the custom system business was not your main business?

A: The thing is that our custom systems are so expensive in price; that means the customer would just acquire our partner's [product Q]. But then our partner's sales buy finally would find out that he is competing with us and is P.O. It would have been a lot more difficult to manage a situation, where there was a lot of competition.

When I later worked with [company C3] we run into this kind of situation, but it never worked out with alliances, we were never very successful. The problem is there was a lot of mistrust – to get the alliance off the ground – there was just too much mistrust in that situation.

Q12: That is a general problem with the alliance – the fear that one could give more than he could gain afterwards

A: That's right!

Q13: At the beginning of the alliance you came faster to the market, now we come to a sticky question, how about the visibility of your company and the brand image – wasn't it limited due to your big partner's brand?

A: That was a difficulty – one of the problems I had to put a lot of effort into name recognition of our company. One thing we did was to put probably a disproportional amount of money in advertising and marketing. We always run full page ads in [journal L], we always had the biggest booth we could afford at [tradeshaw C]. We put a lot of efforts in developing the brand, because a lot of products that went into the field did not have our name on it. Again that was an issue when we dealt with our partner. One of the down-sides of that is when you chose to grow the company into a new technical area, where you are not selling through our alliance partner, you don't have the initial name recognition for your quality; that you should really have with the volume of products you have in the field. So that is why the extra money came into M&S. That was partially successful, but certainly didn't compensate entirely for that negative side.

Q14: Regarding your exposure, which was probably your single biggest customer – your alliance partner – can you please comment on that? How much of your revenue went into the alliance roughly and did you see a thread in that?

A: We had an alliance with our partner close to 10 years. So the % of revenue that went through our partner varied from year to year. Sometimes it was more a problem than others. Ball park it was about 50% of our revenue. Sometimes it was a little bit more, sometimes it was a little bit less. We had products that went to the US through our custom product group, we had other products that were sold to the semiconductor industry. So we were able to raise revenues that way. One of the other things you have to keep in mind when you look at the products provided to our partner. It was half the revenue, but it was not half of the shipments we were making, because we gave them a pretty big discount, because we didn't care about the S&M or the service. From the volume of the products it was disproportional of was more than half the products shipped. We made much better margins with our own products, that how we could maintain up to 50% of our own revenue.

27:50 It had its pros and cons. Obviously one of its cons is that you had to rely on these guys and if for some reason they one day pull the plug and stop buying from you – even if you have a contract – you are rich on paper only. You spend your money on lawyers trying to make somebody buy products from you that will work probably??? That side was pretty big for us.

The benefit on the other hand was for us that we were able to predict fairly well on a year on year bases what the revenues will be and now we had a firm account on them. There are a lot of companies around that had one big customer e.g. in the automobile industry. At the time I used to think about that and I think that is not an uncommon situation for a company having e.g.: 1 or 2 big customers. There is risk, but they paid us in time, we didn't have any accounts receivable, or any issues with them, so we didn't get any bad debt, so that was always extremely helpful for us. There was a benefit in revenue and our accounts receivable was solid.

Q15: So it was worth having such a big customer – on the other side the customer may be relied on your products?

A: There is no doubt that there was a need to continue that alliance from both sides. So it was not always an ideal partnership, but the benefits outweigh the downsides.

3) Critical success factors

Q16: Do you believe that continual communication develops trust and keeps joint projects on target?

- Did you share information?
- Did you receive information important to meet your goals?
- Did you exchange personnel on a temporary base between your company and your alliance partner?

A: 31:14: We exchanged a lot of information - there was not a huge degree of confidential information however. Except for one that was necessary for the alliance to continue. E.g. when the technology switched to diodes and later on we came out with the [product E], it was important to let each other know about the product development. So there was a big switch, where we had a plan for that. All the other we did not share some confidential information. We didn't switch personnel either. We didn't send our people to our partner, but we did have some of our partners' engineers come to us for training for a week or so in time. We never switched personnel; there were only planned visits when there was a planned training visit involved.

Q17: About site visits – did you visit [interview partner#7] on a regular base?

A: There were contacts on all different levels. [interview partner#7] and me used to meet on a weekly base without any agenda. Although it was meant to meet every week, it never happened, because we had other commitments at that time. We had a weekly production meeting with our partner, where we did review the production and the need of the customers. We also had a weekly service meeting, where we looked at the problems in the field, if any service issues required design changes on the product. So the communications level with many areas in the company was established through meetings.

Q18: So on which level did this work? Where product managers involved in either side? Was [interview partner#7] and you involved in either the service or the production meetings?

A: 35:05: Depending on the nature of the meetings, e.g. for the production meetings we had our production people and they had the production planners for the meetings so they could discuss between themselves when a particular system had to be shipped and what the customers' expectation was. In the service meetings we brought in the service personnel and they had their parts planners.

Q19: There was basically a clear interface on who was talking to whom on which issue and that was pretty much organized?

A: Absolutely, there was a clear interface on who was talking to whom on which issue in a pretty organized way.

Q20: 36:00: Your products and capabilities were pretty complementary. How well did the major goals from your side and from your partner's side fit together?

A: I believe the major goal of both companies was similar. From our perspective, it was to grow the company more quickly and to enable us to get our products in the field with a reasonable manufacturer. Another goal of course was the use of their world wide sales- and service organization. Our partner's goal initially was to get a new product to the market without having their R&D resources developing it.

I think at the time we matched those goals pretty well. And that continued. You may say, that after they had the product in the field they may have going in and develop their own version, but the reality of that was they could have put resources on that, but they put their resources somewhere else and develop a new market. They knew they had a success with that and the other way was a risk. I think that matched the goals of both companies pretty well.

Q21: Coming back to legal issues and complex contracts: Your business did not include expensive lawyers with formulating such contracts. How could you avoid those contracts. We briefly talked you had a frame contract and you adopted it continuously from case to case.

A: 38:37: right – we had a letter of understanding as we called it. So what basically happened is that our partner's business manager and me set down and mapped out the key issues within the alliance. That were obviously pricing and products involved and those kind of issues. Then our partner's business manager took that away, wrote it down in a letter and run it through their corporate attorneys and after the attorneys said o.k. he sent me the copy of letter and I signed it. That is how we amended the agreement. It was 4-5 pages at most. It grew over time and all the amendments were done in the same spirit. Later on both sides attorneys were involved and we had to make sure that on both sides there was nothing distasteful to the lawyer. So I had an attorney involved too and he gave me his opinion on that. So what I remember, it is much more important to work together than to worry about a complex contract and to derail this thing with a difficult contract. So we had a million Dollar business on something that was a little bit more than a hand shake, but it was not a difficult contract.

Q22. That means trust plays an important role?

A: The other important thing was since we put it up together, we knew what we put into it, which is a lot easier than if we had to understand a difficult contract.

Q23: Regarding Specialization – I think both you and your partner could specialize?

A: As a result of this alliance, we were tied into a particular technology – which we sold to our alliance partner. That meant that we did specialize on that particular technology. Later on, as the company grew, we moved out of it with some degrees of success in different areas. The problem is, it is really a function of the size of the company. One of the things that happened, that was one of our goals, was that the company grew fairly quickly at first. We put pretty much all our resources into that one product line. So we were very specialized as a result of it. The alliance brought big growth and by default we had to become specialized. Later on that changed.

Q24: Do you see that as a chance or as a risk? At one point you tried to become broader again in terms of your product portfolio

A: 44:28: At a time we were growing and we didn't have resources to put in other places, I didn't even think about that much. I think we were meeting our goals with our alliance partner. The company was growing really successfully so I never really thought that it would be a benefit to branch out into other areas. It wasn't until we reached a certain size till we begun to look into other product areas we could move into. We had a place forward to business through our alliance partner, so we did. In hind side, I think it was only a thing was the limited resources and it forced us applying them into the one product line. If we were tempted to go

outside and sell a number of little projects we would probably fail. That was a benefit, we probably didn't recognize at the time.

Q25: About short run problems: Where did the major effort go into? Was it monthly, quarterly things with a relatively short time horizon or was it more about the medium and long term issues?

A: Most of the efforts run into the short term issues. They were always the most pressing. E.G. a product that was promised by a particular sales guy to be shipped on a certain date, where we didn't get that information, or even with that information we couldn't ship on that date because there were may be delivery issues with some parts or what so ever. There were a lot of meetings on a weekly bases where we had to discuss about a particular customer, product or specs and there were always things that had to be solved very quickly.

The other thing that was always brought up on a short term issue was shipment. So we were companies that were set up for revenues. Our partner in particular, they had goals to meet, their management had goals and they were concerned about \$ and shipments. There were always discussions how much products we can ship in a particular month or quarter. Those by far were the biggest issue.

The longer terms issues were dealt on an occasional case, they tend to be strategic by their nature and were not discussed every day.

4) Results

Q26: What do you think is the most important CSF we had now talked about?

A: The answer is communication. Having open communication channels between the appropriate people stops problems quickly and stops people getting P.O. My feeling is that communication is by far the most important CSF.

Q27: The alliance doesn't exist any more, so was there a defined dead line or did it happen, or was it scheduled?

A: The alliance ended for a number of reasons: From a purely legal perspective, the contract between us and our alliance partner had a finite time. So it had a date on what it was going to end and that was the date it really ended. We mutually could have chosen to continue beyond that date and we didn't. We got acquired by or alliance partner's competitor [company C3].

51:45 As you know that was an issue for our alliance partner more than what it was for us but I think it was something they had no plan for, judging by how they reacted. That was the reason, so we had no choice but to terminate it.

Q28: What is the most important thing you have learned from that alliance? Can you give me an advice based on what you have learned?

A: First when you go into an alliance it is important to understand the benefits it brings to both companies. My feeling is that those alliances never even start, because of too much distrust between the people involved. When there are people on the table they have not been involved in those things before, they say things like "can we trust those guys, what do they want to get out of it?" The real answer is that they want to get a benefit for themselves and probably you too. You need to put beside any biases you may have or feelings of mistrust.

The other part I would say it is important, is that the communication part has to be there. You need to maintain open lines of communication during the entire time and it is important to let the other party know when you feel it is something going wrong.

There was one point in particular, when our alliance partner wanted us to drop making custom systems, because they felt it was taking away resources from making the [product A] for our alliance partner. That request went beyond to what I felt it was reasonable. They were beginning to run our company at that point the fact was they were our vendor, we were the supplier. The fact beginning to play the mussel of size is taking the agreement in the wrong direction. I told them to back down off that and I told them what I felt and they agreed. They had backed down off that request.

What I did learn from that is important to understand what the other side's perspective on the situation is as well as your own.55:34 What is making the other side successful – if it doesn't make both successful it is going to fail.

Q. Thank you, it was really great to get you on the phone and getting all that information from you.

Annex II – Qualitative Content Analysis

Paraphrasing, Generalizing & 1st Reduction:

I	Q	Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8	1	the alliance has to help the company either with its product development or with the marketing of its products;	marketing or product development	1									C1: Advantages of the alliance: -cost saving in R&D -time to market -growth in revenues - predictable sales -reliable payments - use partner's marketing & service network
8	1	In such a way that you benefit more than if you would not have the alliance.	higher benefits with alliance	1									
8	1	The alliance needs to match the goals of the company. If you are entering an alliance which may take the company into a wrong direction, this could cause problems if you sign multi year long contracts you may run into trouble	goals of the alliance = goals of the company	1									
8	1	Advantage: our technology was complementary to our alliance partner's technology.	complementary technology	1									
8	1	Putting their product to our product enabled things that other companies were not able to do and access to the market	entering new markets	1									
8	1	If we would not have gone in this alliance, we had to develop a product on our own.	product development without alliance	1									
8	1	It enable us to get into the market with our product much more quickly	faster time to market	2									
8	1	It enable us to get into the market with our product with a less expense.	cost saving	1									
8	1	And I think it is true that it is the case also from our alliance partner's point of view.	advantageous for both partners		1								C2: Requirements for the alliance: -same goals e.g.: growth -understand your partner's benefit -synergetic technology & products
8	1	The primary reason for getting into that alliance was that our alliance partner brought into it a world-wide marketing organization which we didn't have as a small company.	alliance brought world wide marketing organization	1									
8	1	So it was very synergistic and it worked well for both sides	synergistic	1									
8	2	The most important efforts to keep the alliance afloat is the relationship developed in the alliance,	relationship crucial to keep alliance afloat					1					
8	2	Our partner has a real expectation to the quality of our product, and the way that they were going to respond to warranty and service issues from the customers.	partners high quality expectations			1							C3: Problems in the alliance: -quality issues -lack of resources allocated to the alliance
8	2	So we got a reasonable amount of products in the field.	increased revenue		1								
8	2	We had a number of issues with our products that occurred in the field, after the products have been shipped. Some of them had to do with reliability issues, the performance not meeting the expectations of the customer.	reliability issues of our products			1							

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8 2	Sometimes it was because our partner's sales team raised unreasonable expectations in the eyes of the customer, because they had to sell a product line, they were not used to sell it. So we had to put all resources of our company into that particular alliance.	partner oversold product, because of lack of training of sales team			1							
8 2	We had to perform some on sight service work again all over the world. Our partners' service team took a long time to come up in speed. We were doing a lot of installation initially, because they didn't have people that were trained.	we took over services because partner's service team was not trained well			1							
8 2	The sales engineer of our partner initially didn't learn the product very well. We had to send someone from our company to close the deal, because our partners engineers weren't trained very well.	we helped closing deals because our partner's sales team was not trained well			1							
8 4	management and people who are responsible for managing our product line at our partner changed when the market looked like it was something solid, and the sales begun really to pick up	partner improved management			2							
8 4	And then they put a lot more resources - a service team that was specialized in our products and they gave more training to the sales stuff. After a few years it got better.	improvement by partner's service team for our products			1							
8 5	In managing a complex product like that, a lot of the issues that would have been good to agree upfront on who takes care on sales and services, on different problems that my take place - how we train the sales force	Agree upfront on who takes care for what				1						C4: Contracts & Agreements
8 5	We dealt with those issues on an "as-needed" bases, which was more painful than upfront deciding who shall take responsibility on which cases.	negotiating on "as needed" base is more difficult than upfront				1						-define tasks and rules upfront and think how it will work in practise
8 6	We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do.	simple, written, understandable contract with no lawyers involved				1						-simple, written, understandable
8 6	That particular contract by its nature was rather short and did not cover all eventualities we might run into. So we dealt on a case by case bases when a problem that became cropping up. When we felt we needed an understanding on it was we would write up an addendum to the contract which should be a page or so long on how to deal with those issues going forward	incomplete frame contract with addendum for solution of new problems				1						-sit down yourself and involve lawyers for approval only on both sides
8 8	The only thing is to try to think more carefully upfront about the eventualities we may run into.	think carefully about eventualities				1						-no complex contracts with continous addendum for solution of new problems
8 8	A large number of personalities involved and when you get that number of people interacting there is always a number of issues cropping up.	The more people involved, the more issues cropping up				1						-develop an exit strategy

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8 8	It is clear that people at our partner felt that we are more benefitting from that alliance and they should be more heavy-handed as they dealt with us in their negotiations. You know if a product fails, it always was that people at our partner felt that we should pay for repair. It was handled in the contract who will pay for repairs under warranty and out of warranty, however a lot of the people at our partner didn't have ever seen the contract	Although there was a contract, people at the partner haven't read it and felt that we are benefitting				1						
8 9	All the efforts involved it was difficult to manage, but if you look what we have gained from it, there is no comparison.	high efforts involved, but gain much higher					3					C5: Following (high) efforts guarantee gain from the alliance:
8 10	Our product range was mostly complementary; there was a small amount of overlap we sold some products that were sold by our partner, but the overlap wasn't really difficult to manage.	complementary products, small overlap	2									-develop relationship & trust
8	We had an agreement that we had an alliance on the certain products it was a fair game.	agreement was fair game					1					-communication
8	It was easy to put on paper, but not so easy in practice.	easier on paper than in practice				1						-allocated to short- rather into mid- and long term goals
8	to get the alliance off the ground - there was just too much mistrust in that situation	trust required					1					
8 11	Visibility of the brand was a difficulty - one of the problems I had to put a lot of effort into name recognition of our company.	Brand recognition and visibility difficult						1				C6: Maintain independence being the 'small' alliance partner by:
8 13	One thing we did was to put probably a disproportional amount of money in advertising and marketing. We always run full page ads and we always had the biggest booth we could afford. We put a lot of efforts in developing the brand, because a lot of products that went into the field did not have our name on it.	to compensate for it partially, we spent a lot of money for developing the brand						1				-develop your brand as an OEM
8 13	A Ball park for the revenue that went through our alliance partner was about 50%. So we were able to raise revenues outside of the alliance. The products provided to our partner made half the revenue, but it was not half of the shipments we were making, because we gave them a pretty big discount. We made much better margins with our own products, that how we could maintain up to 50% of our own revenue.	Exposure to alliance was 50% of the revenue with lower margin than own sales						1				-limit revenue exposure with alliance partner
8 14	One of its cons is that you had to rely on the alliance partner. If he stops buying from you, you may spend your money on lawyers trying to make somebody buying products from you that will work probably? That side was pretty big for us.	Con: High exposure in revenue to alliance partner is a thread						1				-diversify as soon as your company grows

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8	20 They put their resources somewhere else and develop a new market. They knew they had a success with that and the other way was a risk.	Partner's goal = developing new markets	1									
8	20 we had a letter of understanding as we called it. So what basically happened is that our partner's business manager and me set down and mapped out the key issues within the alliance. That were obviously pricing and products involved and those kind of issues.	Contract was letter of understanding about pricing and products				1						
8	21 Then our partner's business manager took that away, wrote it down in a letter and run it through their corporate attorneys and after the attorneys said o.k. he sent me the copy of letter and I signed it. That is how we amended the agreement. It was 4-5 pages at most. It grew over time and all the amendments were done in the same spirit.	4-5 page amendment to the agreement together with partner's business manager				1						
8	21 Later on both sides attorneys were involved and we had to make sure that there was nothing distasteful to the lawyers	Amendment approved by lawyers				1						
8	21 Specialization: As a result of this alliance, we were tied into a particular technology - which we sold to our alliance partner. That meant that we did specialize on that particular technology.	Specialization on the particular technology of the alliance						1				
8	23 Later on, as the company grew, we moved out of it with some degrees of success in different areas. One of our goals, was that the company grew fairly quickly at first. We put all our resources into that one product line. So we were very specialized as a result of it. Later on that changed.	Diversification as the company grows						1				
8	23 The company was growing really successfully so I never really thought that it would be a benefit to branch out into other areas. It wasn't until we reached a certain size till we begun to look into other product areas we could move into	The fast growth with the partner hindered diversification						1				
8	24 If we were tempted to go outside and sell a number of little projects we would probably fail. That was a benefit, we probably didn't recognize at the time.	The company had little chance to prosper alone						1				
8	24 Most of the efforts run into the short term issues. They were always the most pressing. There were a lot of meetings on a weekly bases where we had to discuss about a particular customer, product or specs and there were always things that had to be solved very quickly.	Weekly meeting on customers and products							1			
8	25 The other thing that was always brought up on a short term issue was shipment. So we were companies that were set up for revenues. Our partner in particular, they had goals to meet, their management had goals and they were concerned about \$ and shipments. There were always discussions how much products we can ship in a particular month or quarter. Those by far were the biggest issue.	Weekly meeting on shippings and revenues								1		

I	Q Paraphrase	Generalization	C1 C2 C3 C4 C5 C6 C7 C8 C9									1st Reduction		
			C1	C2	C3	C4	C5	C6	C7	C8	C9			
7	10	you could see the roadmap that developed over time, that went from [technology L] to [technology D]										1		C8: Strategic planning: -develop a roadmap -reevaluate goals met
7	11	the contract was reevaluated in what was going on, pricing might have changed too.										1		
7	17	be clear, what the relation would look like in 5 years time. Company x (small) goes into a strategic alliance with company y (large). In 5 years down the line you have to say this has been successful.										1		
1	36	I think that an alliance with a company that does not share the same culture is more difficult to simply make it on a relationship base. A rather formal contract would be required.											3	C9: Culture of companies important for trust
			20	4	8	12	8	9	10	3	3			

Categories C1'...C4' including definitions and coding rules

Category	Definition	Example	Coding rule
C1': Prerequisites	similar goals & synergetic capabilities cost saving or time to market reduced mutual understanding & culture	"Putting their product to our product enabled things that other companies where not able to do and access to the market" "An alliance with a company that does not share the same culture is more difficult"	Tick if one of the following requirements are met: a) Goals & capabilities b) Savings or time to market c) mutual understanding & culture
C2': Contracts & Plans:	frame definition upfront with continuous addendum simple, written contracts, developed together with your partner approved by lawyers	"We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do".	Tick if one of the following requirements are met: a) simple, written b) CEOs work out together, lawyers approve afterwards c) frame with continous addendum
C3': Critical Success Factors:	communication on all levels = most important CSF building trust allocation of sufficient resources to master operations plan & re-evaluate goals	"The most important efforts to keep the alliance afloat is the relationship developed in the alliance" "And then they put a lot more resources – a service team that was specialized in our products and they gave more training to the sales stuff. After a few years it got better".	Tick if one of the following efforts are made: a) good communication b) allocate sufficient resources c) build trust d) plan & re-evaluate goals
C4': Independence:	Set actions to make your organization survive without the alliance if necessary	"Visibility of the brand was a difficulty – one of the problems I had to put a lot of effort into name recognition of our company".	Tick if one of the following requirements are me by the OEM suppliert: a) invest in your brand b) limit revenue exposure c) diversify

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Dedication

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Especially, I dedicate this to Tília. Thank you for your love and support.

Abstract

Strategic alliances offer the possibility to combine strengths of different companies to become more successful jointly by compensating weaknesses. This technique is frequently utilized by major companies; less frequently by small and medium size enterprises (SMEs). The motivation to explore this topic more in detail is the burning question in the life of every SME. Acting globally in a competitive environment requires a certain degree of innovation to compete against major companies, which are sometimes 100 times or more, larger in revenue or number of employees. Maybe an alliance between SMEs and Large Enterprises (LEs) is exactly what will provide an avenue to growth!

The aim of the master thesis is to address the following research question from the point of view of an innovative, globally acting high-tech SME: What are the reasons, circumstances and rules that make the alliances involving exactly those SMEs successful?

During the research for this thesis, four strategic alliances have been explored by conducting eight expert-interviews with executives from high-tech SMEs.

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Chapter 1

Introduction

As a rule of thumb, large enterprises (LEs) are less flexible and slower in making changes, compared to innovative small and medium sized enterprises (SMEs). On the other hand, processes in major companies are well engineered and, in general, revenue streams are more predictable and thus future planning seems easier.

This thesis is over-shadowed by one of the most severe crises since world-war II. In the following research, 2 types of companies can be distinguished in terms of its clients:

a) Companies serving scientific or academic clients (products for R&D at universities or research centers, which are largely unaffected by the crisis). At least some countries which increased spending in this sector compensate for those that made cuts.

b) Companies serving non-scientific clients, capital equipment makers in the worst case. Orders intake in this sector came almost to a standstill for the first 2 months of 2009.

Companies who serve both those sectors can try to shift their business to a) from b).

1.1. Alliances in the high-tech sector

Just a few years ago, high-tech companies were forming strategic alliances at a feverish pace. No one could go it alone; alliances were the future. Or so they thought.¹

¹ Gomes-Casseres 2004, 4

Global acting firms:

For high-technology SMEs, it is imperative to act on a global basis. Otherwise the community of potential customers would be too small and the investment in R&D could not be returned in a regional market.

Literature is available about alliances between major companies on the one hand and about small firms on the other hand²³ however, it does not reflect on SMEs active in the high-technology sector in particular.

Brief overview about literature available:

This thesis explores the dynamics in strategic alliances between organizations of different size. This can be an alliance between SMEs and LEs or simply between SMEs where one of the partners is up to 10 times larger in revenue compared to the other alliance partner. Only few studies take into account this context of inter-organizational relationships.⁴

Ben Gomes-Casseres wrote mainly about alliances between LEs like IBM, Apple, Motorola, Intel, Microsoft, who dominated the high-tech sector over the past decades⁵ as well as strategic alliances between Mitsubishi and Daimler-Benz in the "mind tech" sector.⁶

Homin Chen and Tain-Jy Chen wrote their article about transaction cost versus resource-based perspective.⁷ Their paper focussed on Taiwanese firms that had been involved in international strategic alliances. Companies from the chemical, machinery, electrical and electronic products and transport equipment industries were reviewed; 394 responded that they had been involved in one or more international strategic alliance. Finally a total of 159 valid completed questionnaires had been collected. These constituted the sample of an empirical study.

² Gomes-Casseres 1997, 33

³ Fink & Kraus 2007, 674

⁴ Weterings 2005

⁵ Gomes-Casseres 2004, 4

⁶ Gomes-Casseres 1998, 11

⁷ Chen & Chen 2003, 1

Another field of research offers the “Star Alliance” the most successful airline alliance to date.⁸ Again, this research deals with rather large companies in the transport sector.

Many of the results presented analyse so-called marketing alliances, where companies with similar products ally to improve their strengths in a competitive market. I will exclusively analyze integrated alliances between globally acting high-tech SMEs.

1.2. High-tech SMEs

The narrow view:

High-tech SMEs are often founded as University spin-offs. Their culture is very academic – in contrast to large incumbents. Often their cost structure is supported by direct and indirect public funding and their products are “hand made by PhD students”. Often, marketing skills are a weakness in such organization. On the other hand, they offer reduced pricing enabled by their lean cost structure.

Incumbents see this development with skepticism and develop different strategies to defend against such low-cost activities by SMEs.

There is an old saying that goes, “united we stand, divided we fall”. However SMEs like to do things alone instead of seeking out partners. One of the reasons is paranoia. Many high-tech SMEs are afraid that partners will steal their intellectual property and therefore, they are reluctant to form strategic alliances when venturing into new markets or applications despite the advantages of doing so.^{9 10}

SMEs are also reluctant to build alliances partly because they have high-flying visions and are convinced that their technology is of extremely high value. Their attempt to keep secrecy is particularly apparent in contacts with major organizations.¹¹

⁸ Gomes-Casseres 2007, 12

⁹ Tai 2009, 3

¹⁰ OECD 2000, 108

¹¹ Ricardis 2006, 40

Trust plays an important role in alliances involving SMEs and is more likely to be found between companies of similar size, rather than between SMEs and major companies.

The dynamics in strategic partnerships between small and large organizations are multifaceted and fraught with complexities and contradictions. The partner organizations bring diverse interests and resources to the strategic partnerships which affect the dynamics of those relationships. Using the literature on strategic alliances, this thesis examines four such strategic partnerships in the high-tech business.

The goals of the Master's Thesis:

Incumbents can either try to buy SMEs in the case their technology seems interesting, or they just want to maintain price levels, potentially destroyed by SMEs with unsustainably lean, or simply unconsidered cost structures. Once those SMEs develop into mature organizations with little support from their [parent] university groups, they need to develop a new strategy to remain independent entities. Either they plan to grow and see their biggest potential in growth or exploitation of their technology by themselves, or their goal is to grow until the owners can sell the company for a decent price. In either situation the "David against Goliath" battle on the global battlefield has to be fought until their [growth] goals have been met.

Exactly during that time of change and uncertainty the possibility of alliances can help to reach the goals which might be difficult to meet alone.

Short description of the Master's Thesis:

In the following thesis, the potential of alliances involving SMEs will be analyzed, as a tool to circumvent the difficulties SMEs face in the battle against -or a clever alliance with- the incumbents of their industry.

Short description of the most important results:

Compared to large organizations that already have experience with, and make use of, alliances SMEs risk to maneuver themselves into a disadvantageous situation by not leveraging the potential advantages offered by strategic alliances. The

question is lesser to build or not to build strategic alliances, but how to build the right alliances. It seems SMEs cannot catch up with the experienced major organizations in building such alliances, which is however not entirely true. Results show that SMEs can leverage their potential and build very successful alliances based on four critical success factors, namely:

- A fundamental fit between the alliance partners, expressed in the prerequisites like a shared alliance purpose (*e.g.*, advantages expected), requirements and the culture shared by the organizations
- Critical Success Factors like the readiness to put efforts into the alliance for *e.g.*, solving problems and effective communication at all levels of the organizations as well as building trust
- Contacts and agreements as well as strategic planning must not be taken over by lawyers, but by executives. Lawyers play an important role of control *after* the executives have agreed about basic topics
- Finally independence - each organization must also have a plan B for the case the alliance breaks off – an independent life after the alliance never should be left unattended.

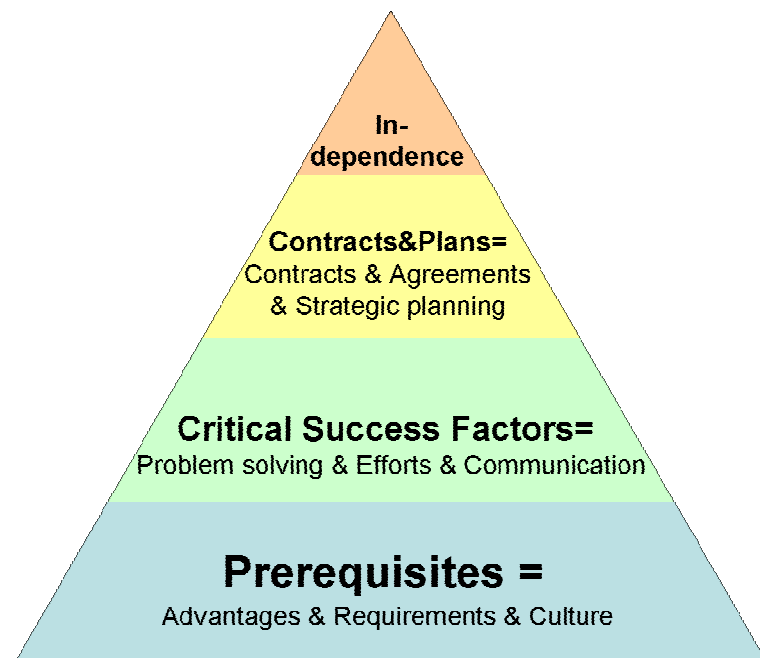


Figure 1.1: The most important success factors

Structure of the Master's Thesis:

In chapter 2, a theoretical model will be described and possible ways of alliances will be presented. Important general rules for successful alliances – from existing literature - will be presented.

In chapter 3 - the empirical part - expert interviews will be used to support those rules with interview partners and tested upon their validity. All alliances explored involve high-tech SMEs.

A conclusion will be presented in chapter 4 and recommendations will be extracted from the thesis.

Chapter 5 gives a brief summary, and an outlook about possible future development also taking into account the current economic situation.

Chapter 2

Theoretical Part

In this chapter possible ways of alliances are presented and important rules for successful alliances are described. This chapter shall give an overview about alliances between partners of different size as well as alternatives to alliances.

2.1. Alliances between partners of different size

2.1.1 Alliances between LEs

Every major company (LE), especially in high-tech fields, has alliances that play a key role to its strategy and performance. Studies show that the number of corporate alliances increases by some 25% a year.¹² We know that they exist and they their strengths as well as their weaknesses are well documented.¹³ Since the thesis focuses on SMEs, these alliances are not reviewed further in this work.

2.1.2 Alliances between major and small companies

Alliances between major and small companies are a potential fast track to growth for the SME. A number of hurdles come along with these alliances however. It is expected that a "David against Goliath" effect has to be considered carefully when entering, as well as when running, such an alliance.

¹² Huges 2007, 122

¹³ Gomes-Casseres 2000, 1

2.1.3 Alliances between small companies

This type offers a large potential in building clever alliances. Many weaknesses of SMEs can be overcome entering such an alliance – without the threat of having a dominant alliance partner. From the companies reviewed in this thesis however, it seems to be advantageous to have an alliance between a larger and a smaller partner. It seems such alliances can benefit better from different mindsets, if a common goal is kept in mind.

2.1.4 Alternative forms of collaboration

Alternatively to strategic alliances, various formal co-operations offer advantages, and bear risks at the same time. An overview about such alternatives is given in Table 2.1. The decision between alliance and acquisition is more likely in the hands of the larger alliance partner, rather than the SME or smaller alliance partner.¹⁴

Type	Time horizon	Motives / Advantages	Drawbacks / Risks
Contract research	Short	Reduction of cost, risk, lead time	Search costs; performance
Technology licensing	Middle	Technology sourcing	Costs and limits of contract
Research consortium	Middle	Expertise, standard, setting, public support	Leakage of know-how
Strategic alliance	Long	Market access	Leakage of know-how
Joint venture	Long	Complementary knowhow; independent mgmt.	Strategic divergences; cultural differences

Table 2.1: Types of formal cooperation: Pros and cons¹⁵

¹⁴ Dyer 2004, 108

¹⁵ Henkel 2009, 10

2.2. Goals of alliances – Resource based view (RBV)

A business alliance is an agreement between businesses, usually motivated by cost reduction, risk reduction, and improved products or services for the customer. It can be seen as an open-ended arrangement, governing co-operation between two or more companies.

- In high-tech, the most common drivers of alliance formation are the rising costs of R&D and investment in new technology.
- Over half of all alliances are dissolved within three to five years. This does not necessarily mean these alliances 'failed' - they may have been intended to be transitional or were followed by other alliances between the same partners.

2.2.1 Cost reduction

Cost reduction is primarily achieved by, but not restricted to, reduced R&D expenses, increased purchasing power, and savings in marketing. A model indicates that firms with complementary skills and resources in a strategic alliance will be better off in terms of R&D cost, profit, and competitiveness.¹⁶

2.2.2 Time to market

Time to market (TTM) is the time it takes from the moment a product is conceived to the time it is available for sale. TTM is important in industries where products are outmoded quickly (high-tech sector). Reduction of new product development cycle time and improvements in product performance have become strategic objectives for many technology-driven firms. These goals may conflict, however, and firms must explicitly consider the trade-off between them.^{17 18}

Alliances where partners bring in such complementary skills can potentially ease such conflicts.

¹⁶ Zhou 1992, 313

¹⁷ Chandrasekaran 2008, 1

¹⁸ Cohen 1996, 173

2.3. Problems arising within alliances

2.3.1 Incomplete contracting

Incomplete contracts (also relational contract) - also in the context of the transaction cost (TC) theory - are contracts between market participants where not all eventualities *ex ante* contractually are specified and/or considered. Complex contracts, in contrast, try to foresee all eventualities at the time the contract is designed. In reality however, it seems impossible to have all eventualities considered even in the most complex contract. Such complex contracts are typically more expensive and offered by experienced law firms. Major companies typically rely on complex contracts only.

2.3.2 Hold-up problems

Many investments are only valuable to a particular trading partner. Well known examples of such relationship-specific investments include development of tailor-made designs, plant location, and acquisition of firm-specific skills. Unless contracts are perfect, and often they are not, the specificity of these investments makes the investor vulnerable to *ex post* exploitation. This is the hold-up problem.¹⁹ Axelrod analyzes the elements that determined the success or failure of various strategies in the durable, iterated Prisoner's Dilemma simulation. He used his results to develop a Cooperation Theory "*based upon an investigation of individuals who pursue their own self-interest without the aid of a central authority to force them to cooperate with each other.*"²⁰

2.4. General rules for alliances

10 STEPS TO A SUCCESSFUL ALLIANCE:²¹ Starting with common rules for major companies, within this thesis it is investigated if differences or particularities can be observed when focusing on SMEs:

¹⁹ Ellingsen 2003, 1

²⁰ Axelrod 1984, 6

²¹ Gomes-Casseres 2004, 8

- Have a clear strategic purpose - alliances are never an end in themselves, they are tools in service of a business strategy
- Find a fitting partner - a partner with compatible goals and complementary capabilities (resources)
- Specialize - allocate tasks and responsibilities in the alliances in a way that enables each party to do what they do best
- Create incentives for cooperation - working together never happens automatically, particularly when partners were formerly rivals
- Minimize conflicts between partners - the scope of the alliance and of partners' roles should avoid pitting one against the other in the market
- Share information - continual communication develops trust and keeps joint projects on target
- Exchange personnel - regardless of the form of the alliance, personal contact and site visits are essential for maintaining communication and trust
- Operate with long time-horizons - mutual forbearance in solving short-run conflicts is enhanced by the expectation of long-term gains
- Develop multiple joint projects - successful cooperation on one project can help partners weather the storm in less successful joint projects
- Be flexible - alliances are open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities.

2.5. RBV vs. TC compared in SMEs vs. LEs

The *resource-based view (RBV)* is used to determine the strategic resources available to a firm. The fundamental principle of the RBV is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal.²² An improvement in resources can be achieved by allying with a strategic partner, offering the required skills. As an alternative to the alliance, those missing skills can be developed within the

²² Wernerfelt 1984, 172

organization – for a certain price. RBV offers a view for evaluating the advantage of the alliance based on resources saved within the organization.

On the other hand, *Transaction costs (TC)* consist in the *ex-ante* costs of drafting and negotiating an agreement, and the *ex-post* costs of monitoring, bonding, and enforcing it.²³

The question to be asked now is, how does this balance look like for organizations of different size?

2.5.1 Working hypothesis I: relative TC for complex contracts are higher for SMEs

Within a strategic alliance, LEs have the advantage of potentially entering into larger projects compared to SMEs. The volume of the project within the alliance can be determined by *e.g.* its volume per time (month, year, etc.) which is usually higher for LEs. Also the time horizon is longer and contracts potentially run over a longer period in case of LEs – given their lack of flexibility. In this case, TC is therefore smaller in relation to the volume of the entire project. Complex contracts written by expensive law firms, can foresee more eventualities. The balance between cost saved by entering into the alliance and expenses for such contracts is still positive for such alliances involving LEs.

2.5.2 Working hypothesis II: Incomplete contracting is more likely in contracts between SMEs:

Incomplete contracting can never be excluded. Due to a more careful establishment of the contracts, those in alliances between LEs might be less incomplete compared to those written between two executives of SMEs.

On the other hand, problems arising out of incompleteness of the contracts might be more difficult to solve between LEs since the underlying structure is more complex. Incomplete contracting might be more easily solved between SMEs,

²³ Williamson 1985, 20

where people act more autonomous, compared to employees of LEs, where decision making within the framework of comparably rigid structures. This phenomenon can also be described by better developed improvisational skills present in employees of SMEs.

2.5.3 Working hypothesis III: SMEs alliances are built on trust:

Although TC is smaller relative to project volume in case of large companies, the risk from consequences of incomplete contracting is not smaller than in simple contracts between SMEs. Problems arising from incomplete contracting have a high probability of being solved simply by bilateral talks between closely acquainted owners, or responsible executives. Alliances between SMEs are based on trust rather than on detailed contracts. Owners speak to each other in person, as soon as difficulties from incomplete contracting arise. Alliances between SMEs based on simple contracts with relatively low TC can outpace those between major firms, based on complex, but still incomplete contracts, in case the SMEs have skills to solve disputes arising from such incomplete contracts.

Brian Uzzi writes about the concept of embeddedness beyond the level of a programmatic statement by developing a formulation that specifies how embeddedness and network structure affect economic action. Results reveal that embeddedness is an exchange system with unique opportunities relative to markets, and that firms organized in networks have higher survival chances than firms which maintain arm's-length market relationships do. The positive effect of embeddedness reaches a threshold, however, after which point the positive effect reverses itself.²⁴

²⁴ Uzzi 1996, 674

Chapter 3

Empirical Part

3.1. Methodology

3.1.1 General description of work:

The empirical part is performed in an *explorative* way. A relatively small number (8) of *expert interviews* is performed in a structured way.

For each company, the most influential positions (Founder/owner, CEO, VP S&M, COO/CTO, or CFO) shall be interviewed. It is not unusual, that a single person will cover more than one of the positions mentioned above. In such a case, it will be clearly indicated.

3.1.2 Qualitative analysis of content:

In contrast to quantitative methods, where typically a large number of test persons are answering questionnaires, a qualitative analysis of content is the method of choice for a relatively small number of expert interviews.²⁵ In such a case, a focus, rather than a hypothesis is required for preparing the interviews. A working hypothesis is helpful for the choice of the questions in the course of the preparation of the interviews. In a qualitative explorative approach questions can be modified during the first interviews. An inductive approach is chosen:

²⁵ Mayring 2000, 16

3.1.3 Inductive category development:

Within the framework of qualitative approaches it would be of central interest to develop the aspects of interpretation, the categories, as near as possible to the material. This is done in order to formulate the categories in terms of the material. For that scope qualitative content analysis has developed procedures of inductive category development, which are oriented to the reductive processes formulated within the psychology of text processing.²⁶

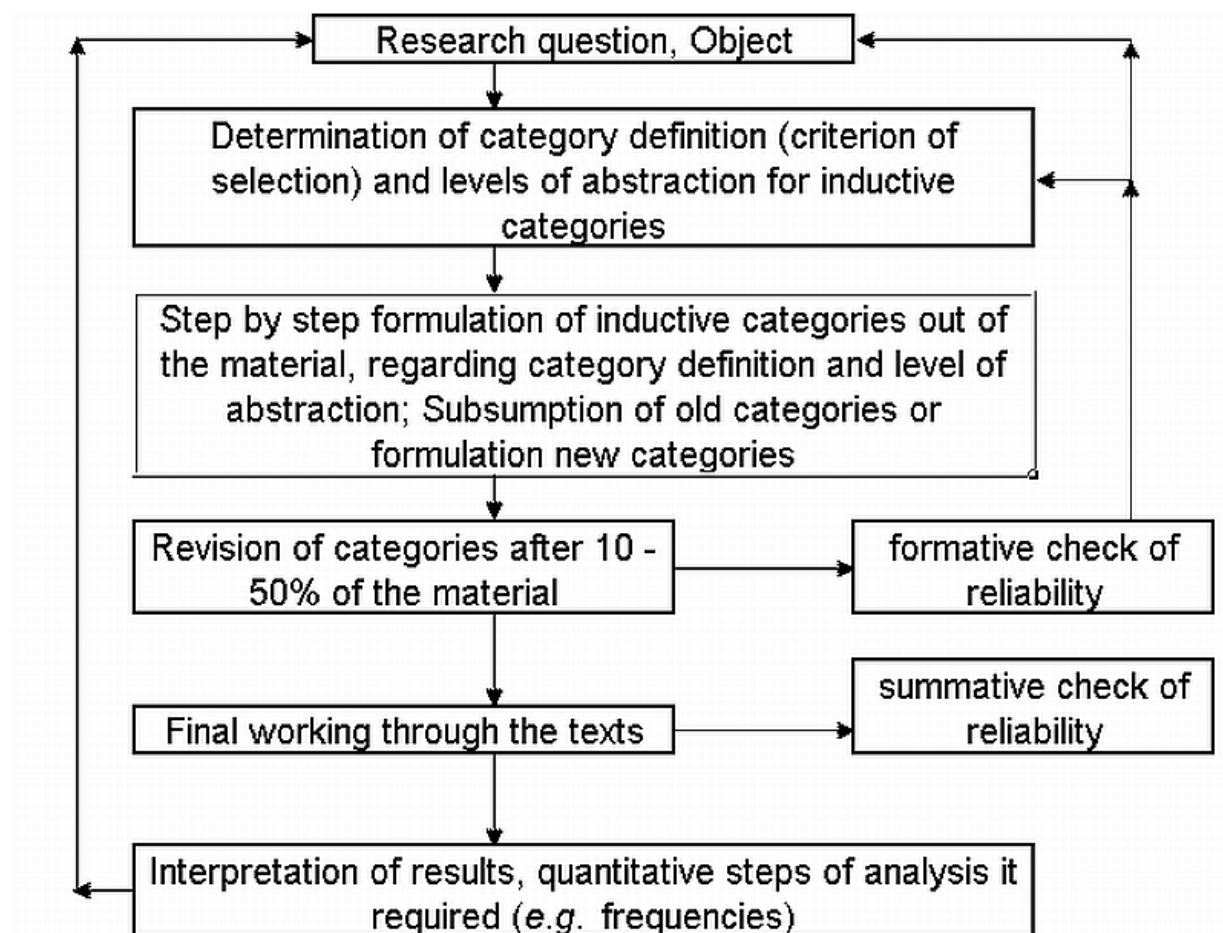


Figure 3.1: Step model of inductive category development ²⁷

The idea of the procedure is to formulate a criterion of definition, derived from theoretical part and the research question, which determines the aspects of the textual material taken into account. Following this criterion the material is analyzed and categories are tentative and step wise deduced. Within a feedback loop those categories are revised, eventually reduced to main categories, and

²⁶ Ballstead 1981, 83

²⁷ Mayring 2000, 4

checked in respect to their reliability. If the research question suggests quantitative aspects (e.g. frequencies of coded categories) it can be analyzed.²⁸

3.2. Preparations for the interview

3.2.1 Sources of questions

In order to carefully prepare the expert interviews, questions have to be formulated. Resources for formulating the questions are:

- The research question
- The working hypothesis derived from the theory (Chapter 2)
- Rules from the literature (Chapter 2).

1) The research question

The aim of the master thesis is to clarify the following research question from the point of view of an innovative, globally acting, high-tech-SME: What are the reasons, circumstances, and rules that make alliances involving such SMEs potentially most successful?

2) The working Hypotheses

- TC for complex contracts are higher for SMEs (relative to the volume of the alliance)
- Incomplete contracting is more likely in contracts between SMEs
- SME-alliances are built on trust.

3) Rules from the literature

The rules about alliances are derived from the literature,²⁹ as listed in paragraph 2.4 of this thesis.

²⁸ Mayring 2000, 4

²⁹ Gomes-Casseres 2004, 8

3.2.2 Preparations for the interview – groups of questions

The interviews were held as discussions, rather than strictly working through the questionnaire point by point. The questionnaire helped to cover all topics, but questions were not asked directly, unless the discussion did not include them. Minor bullet points helped to explain or give samples for discussion. In general all the major bullet points were communicated, except in the case the interview partner entered into the topic unprovoked. Starting from the sources of questions before, 4 groups can be derived:

1) Internal expectations - strategic purpose

Internal expectations describe the “micro-view”, the view from within the company. Alliances are never an end in themselves, they are tools in service of a business strategy questions related to this topic are as follows.

- How would you define a successful alliance?
- The strategic purpose of the alliance:³⁰
 - How would you describe your (and your partner’s) actions within the alliance?
 - Could you describe your strategic goals? (motivation, e.g.: cost- or time-saving)
- In your opinion, which are the most important efforts for keeping an alliance afloat?
 - Personal communication with the partner
 - Good contracts as a frame of the alliance
 - Other efforts

³⁰ In this case, questions start with the lowest-level bullet points. That fosters a more practical rather than a philosophical access to the top-level bullet point. E.g.: if the question is about the strategic purpose of an alliance, one might get an answer how the interview partner “would like to” see the alliance. Otherwise when asking about certain actions or task one can bring it to the point in a bottom up approach, without discussing about visions and future goals and learn more closely how the alliance works at the present time.

- How do you see efforts (e.g.: TC) for complex contracts in relation to the results achieved by the alliance?
 - Efforts higher than earnings
 - Earnings higher than efforts

2) External expectations

External expectations describe the “macro-view”, the view from outside of the company. Questions related to this topic are related to ones position in the market and the competition:

- Please focus on your most important alliance. What is/was your primary expectation from that alliance?
 - Is your alliance a marketing alliance? If yes:
 - Could you improve your market share?
 - Could you reduce marketing expenses?
 - Could you increase visibility?
 - Could you increase your customer base?
 - Could you increase your pipeline?
 - Could you improve your brand image?
 - Is your alliance an integrative alliance (e.g.: within your supply chain)?
 - Could you improve your market share?
 - Could you increase your pipeline?
 - None of the cases above, but...

3) Critical success factors

- Do you believe that continual communication develops trust and keeps joint projects on target?
 - Did you share information?
 - Did you receive information important to meet your goals?
 - Did you exchange personnel? In which way?

- Did you create/receive incentives for cooperation (working together never happens automatically, particularly when partners were formerly rivals)
 - Is/was your alliance partner a former rival?
 - Is/was your alliance partner a provider / customer?

- Do you have experience with alliances between companies of different/similar size? Could you report about your positive/negative experiences?
 - Is your alliance an alliance between SMEs?
 - Is your alliance an alliance between a major company and an SME?
 - Is your alliance an alliance between more than 2 partners?

- What do you believe that is essential for maintaining communication and trust?
 - personal contact
 - site visits

- Did you find a fitting partner and how would you describe him/her?
 - How do you see the importance of compatible goals?
 - How do you see the importance of complementary capabilities?

- How did you minimize conflicts between partners (the scope of the alliance and of partners' roles should avoid pitting one against the other in the market)?
 - Did you design complex contracts to avoid it?
 - Did you design a frame and adapt it continuously?

- Could you specialize?
 - Did you allocate tasks and responsibilities in the alliances in a way that enables you to do what you do best?
 - Did you allocate tasks and responsibilities in the alliances in a way that enables your partner to do what he does best?

- Please focus on a short-run conflict:
 - Did you operate with short-, medium- or long time-horizons?
 - Did you apply mutual forbearance for enhancing the solution by the expectation of long-term gains?
 - Did you focus on short term (quarterly) goals?

- In order to weather the storm in less successful joint projects
 - Did you develop multiple joint projects (successful cooperation on one project can help compensate less successful ones)?
 - Did you focus on a single project?

- About flexibility –
 - Do you consider alliances as open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities?
 - Do you consider alliances having a well defined dead line and need to stick with it whatever comes?

- About legal issues:
 - Is your alliance based on a complex contract?
 - Has incomplete contracting been a problem in your alliance?
 - Have your alliances been based on trust or on legal contracts?
Please try to point out the importance of those 2 elements relative to each other.

4) Results

- Under which circumstances can an alliance between innovative SMEs successfully compete with global incumbents in the high-tech business and which rule [above] for such a venture is potentially most important (*i.e.*, which is the most critical success factor)?
- What are the most important insights from your past alliances?
- What are your most important recommendations for existing and future alliances for a SME acting globally in the high-tech business?

3.3. Interviews

To gain comparable results, a guideline for the interviews has been elaborated. Most of the interviews were conducted over the phone, all of them were recorded. The date for the interview had been scheduled in advance with an approximate duration of 40-60 minutes, so the candidate could answer questions without any time pressure. The standardized procedure is described in the following steps:

- Welcoming
- Explanation about the project – MBA thesis
- Opening: what are the goals and the no-goals (*e.g.*, no discussion about technological issues)
- Interview will be recorded – question if the candidate agrees
- Companies are categorized (anonymous approach)
- Neither company nor personal names will be published in the master thesis
- After transcription, the interviewee has sufficient time to proof read the interview before further processing in the frame of the thesis
- Incentive for the interviewee is a copy of the master thesis (SME alliance research)
- Publishing shall be possible without restrictions

3.3.1 Alliances including SMEs

Four alliances have been reviewed in this work, which have at least one SME involved. All alliances are integrative alliances, where the SME is always the supplier for the other SME or LE:

Alliance	Supplier		Customer		Size ratio	Joint total	Supplier exposure
code	code	Revenue [mEURO]	code	Revenue [mEURO]	Total revenue C/S	Revenue [mEURO]	% of Supplier's revenue
A1	S1	1.5	C1	10	7	11.5	10%
A2	S2	15	C2	150	10	165	55%
A3	S3	7	C3	450	60	457	10%
A4	S4	6.5	C4	1000	150	1006	10%

Table 3.1: Table of Alliances

3.3.2 Companies involved in the research:

According to their role in the integrative alliance, partners are divided into suppliers and customers:

1) Part A – Suppliers:

The four suppliers reviewed are documented in table 3.2. In all cases they are the significantly smaller partner in an integrative alliance.

Company code	S1	S2	S3	S4
Year founded	1999	1991	1992	2002
Year merged	-	2003	-	-
Revenue	EUR 1.5m (2008)	US\$ 20m (2003)	EUR 7 m (2008)	US\$ 8 m (2008)
# of employees	9	45	40	26
Sector	Electronic equipment manufacturer	Electronic equipment manufacturer	Electronic equipment manufacturer	Optics manufacturer
Location	Western Europe	U.S.A.	German speaking Europe	U.S.A.

Table 3.2: Table of Suppliers

Company S1, C1 – alliance A1 – interview I1:

Company S1 is a small electronics equipment maker. Within the strategic alliance A1 it supplies products to and benefits from sharing marketing cost with company

C1 which is about 8 times larger. Both companies are located in Western Europe. Interview I1 was conducted with the CMO of company S1. The CTO and co-founder of company S1 was a former boss of the CEO of company C1. In interview I1 **trust and long term relationship** turned out to be the most important qualities for keeping the alliance afloat.

Company S2, C2 – alliance A2 – interview I8:

Company S2 was a small US electronics equipment maker. Within the strategic alliance A2 it supplied products to company C2 which is about 10 times larger. Interview I8 was conducted with the former CEO and founder of company S2. Company S2 had an extraordinary history: during the course of the alliance, Company S2 grew to about 25 times its original size. S2 entered into the alliance as a start up and was sold at the end of the alliance. Remarkable however, is that company S2 was not bought by its alliance partner company C2, but by the arch rival of company C2. In the alliance between S2 and C2 **independence** turned out to be the biggest concern of company S2 within the alliance. This is clearly understandable, since company S2 had, by far, the biggest exposure within the suppliers investigated in this research. 55% of the products manufactured by company S2 were delivered to its alliance partner company C2.

Company S3, C3 – alliance A3 – interview I6

Company S3 is a small electronics equipment maker located in German speaking Europe. Within the strategic alliance A3 it supplies products to the US-company C3 which is about 90 times larger. Interview I5 was conducted with the CFO and co-founder of company S3 while Interview I6 has been conducted with the CEO & CTO and co-founder of company S3. In this alliance **access to the international market** for the SME has turned out to be the biggest gain for company S3 within the alliance.

Company S4, C4 – alliance A4 – interview I2, I3:

Company S4 is a small optical equipment maker located in the USA. Within the strategic alliance A4 it supplies products to the US-company C4 which is several 100 times larger. Interview I2 was conducted with the CEO and co-founder of company S4 while Interview I3 was conducted with the CFO and co-founder of company S4. In this alliance **long term growth for the SME driven by a successful partner** turned out to be the biggest motivation for company S4 within the alliance.

2) Part B – Customers:

Company code	C1	C2	C3	C4
Year founded	2000	1961	1966	?
Year merged	-	2004	-	-
latest revenue	EUR 10 m (2008)	US\$ 200 m (2004)	US\$ 590 m (2008)	US\$ multi-bn (2008)
# of employees	45	1000	2400	10000
Sector	Computers and electronic equipment	Computers and electronic equipment	Computers and electronic equipment	Semiconductor capital equipment maker
Location	Western Europe	U.S.A.	U.S.A.	U.S.A.

Table 3.3: Table of Customers

Company C1, S1 – alliance A1 – interview I4

Company C1 is an electronics equipment maker. Within the strategic alliance A1 it receives products and benefits from sharing marketing cost with company S1 which is about 8 times smaller. Both companies are located in Western Europe. Interview I4 was conducted with the CEO and founder of company C1. In the opinion of company C1 **the selection of the alliance partner and the exploration of potential reasons of divorce** have been identified for being the most important factors for a successful alliance.

Company C2, S2 – alliance A2 – interview I7

Company C2 is an electronic equipment maker. Within the strategic alliance A2 it receives products from company S2 which is about 10 times smaller. Both companies are located in the USA. Interview I7 was conducted with the CEO of company C2. Company C2 was merged with another US-company which led to joint revenue of close to US\$ 400m in 2008. After alliance A2 broke in 2003, company C2 started to develop and manufacture the products themselves that were previously provided by company S2. In the opinion of company C2 **establishing contracts by the responsible managers rather than by law firms** was identified as the most important factor for a successful alliance.

Company C3, S3 – alliance A3

Company C3 is an US electronic equipment maker listed at NASDAQ. Within the strategic alliance A3 it receives products from company S3 which is about 60 times smaller.

Company C4, S4 – alliance A4

Company C4 is an US capital equipment maker for the semiconductor industry. It is a multi-billion US\$ company. Within the strategic alliance A4 it receives products from the company S4 which is several 100 times smaller. No interview was conducted with this company, since the company name and contact person was kept confidential by company S4.

Detailed interviews can be read in Appendix I of this thesis. As mentioned above, alliance A2 has broken off; alliances A1 and A3 both widely serve a scientific, academic market and are widely unaffected by the current economical situation. Alliance A4 however suffers severely from the current economical situation. This is also clearly reflected in interview I3 conducted with the CFO of company S4

Figure 3.2 shows a visualization of the constellation of the companies involved. The vertical axis shows the ration of the company's revenues. The horizontal axis shows the joint total revenue of the alliance, while the size of the bubble indicates the exposure of the supplier company - which percentage of its total revenue is delivered into the alliance. Alliances A1 to A4 are shown from the left to the right. Alliance A2 shows the largest exposure of 55%, while all other suppliers show a similar exposure of about 10%.

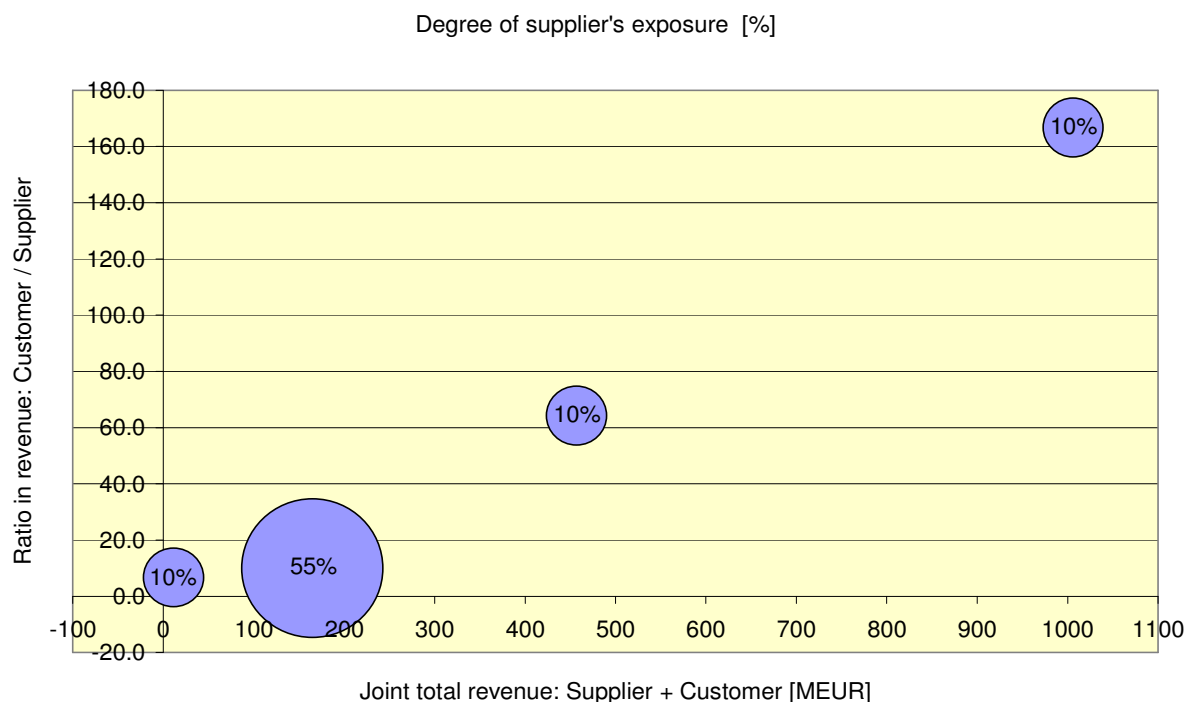


Figure 3.2: Alliances analyzed: relative and joint revenue, exposure

3.4. Summarizing qualitative content analysis

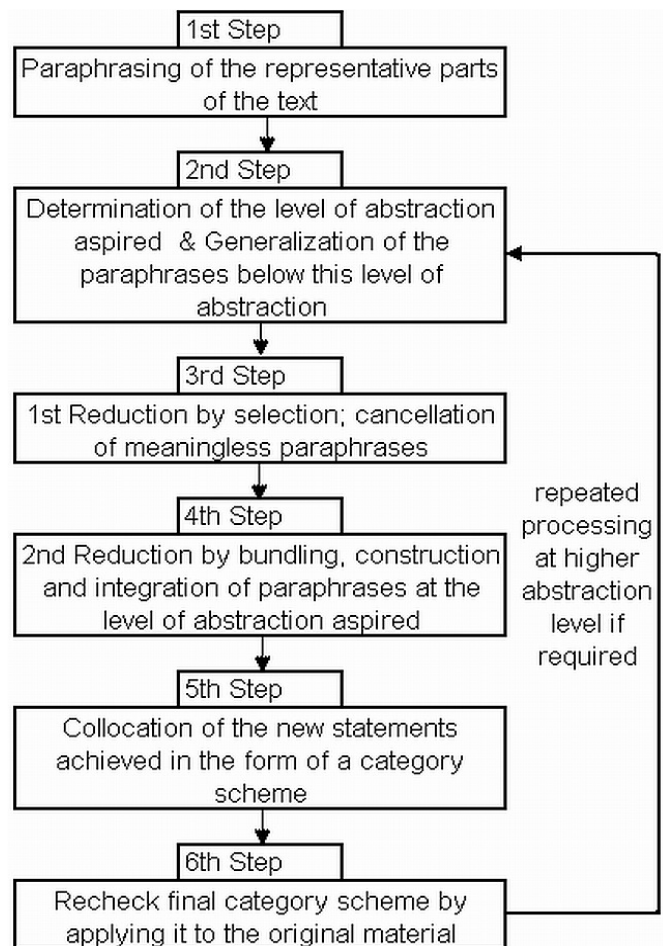


Figure 3.3: Step model of summarizing qualitative content analysis³¹

For the start of the reduction, interview I8 was chosen. This interview is the longest, most comprehensive, and most exciting interview. It deals with an incredibly successful alliance between an SME and a 10 times larger company, which lasted for more than 10 years. In the end, the interviewee sold company S3 after the lifetime of the alliance.

3.4.1 Paraphrasing

see Appendix II

³¹ Mayring 2000, 60

3.4.2 Results of reduction, generalization & categorization

1st Reduction	Generalization	2nd Reduction
<p>C1: Advantages of the alliance:</p> <ul style="list-style-type: none"> -cost saving in R&D -time to market -growth in revenues -predictable sales & payments -use partner's marketing & service network 	<p>Successful if:</p> <ul style="list-style-type: none"> cost saving time to market reduced growth accelerated 	<p>C1'=C1&C2&C9</p> <p>Fulfill Prerequisites:</p> <ul style="list-style-type: none"> similar goals & synergetic capabilities cost saved or time to market reduced mutual understanding & culture
<p>C2: Requirements for the alliance:</p> <ul style="list-style-type: none"> -same goals e.g.: growth -understand your partner's benefits -synergetic technology & products -natural incentives: seller' revenue & buyer's supply 	<p>Requirements for success</p> <ul style="list-style-type: none"> similar goals synergetic capabilities mutual understanding natural incentives for alliance 	
<p>C3: Problems within the alliance:</p> <ul style="list-style-type: none"> -quality issues -lack of resources allocated to the alliance (e.g. training) 	<p>Unsuccessful if:</p> <ul style="list-style-type: none"> lack of resources allocated 	
<p>C4: Contracts & Agreements</p> <ul style="list-style-type: none"> -define tasks and rules upfront and think how it will work in practise -simple, written, understandable -sit down yourself and involve lawyers on both sides for approval only -no complex contracts with continous addendum for solution of new problems -develop an exit strategy 	<p>Contracts:</p> <ul style="list-style-type: none"> simple, written understandable definitions upfront develop realistic frame yourself and involve lawyers for approval only develop continous addendum for adaption of to new situations develop exit strategy 	<p>C2'=C4 & C8</p> <p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> frame defintion upfront with continous addendum simple, written contracts developed together with your partner approved by lawyers plan & re-evaluate goals

1st Reduction	Generalization	2nd Reduction
<p>C5: Following substantial efforts guarantee for gain:</p> <ul style="list-style-type: none"> -development of relationship & trust -communication -allocation of efforts to short-, mid- and long term goals to master [daily] operation 	<p>Efforts required:</p> <ul style="list-style-type: none"> development of relationship & trust communication Mastering daily operations 	<p>C3'=C3&C5&C7</p> <p>Critical Success Factors</p> <ul style="list-style-type: none"> building trust communication on all levels = #1 CSF allocation of sufficient resources to master operations
<p>C6: Maintain independence by:</p> <ul style="list-style-type: none"> -develop your brand as a supplier -limit revenue exposure with alliance partner -diversify as soon as your company grows 	<p>Maintain independence by:</p> <ul style="list-style-type: none"> -developing your brand as a supplier -limit revenue exposure with alliance partner 	<p>C4'=C6</p> <p>Maintain Independence:</p> <p>Set actions to make your organization survive without the alliance if necessary</p>
<p>C7: Most critical success factor = communication for exchange of information on different levels in the company established through meetings for:</p> <ul style="list-style-type: none"> -management (occasionally) - let your partner know when you feel something is wrong immediatelly -production (weekly) -service (weekly) 	<p>Most critical success factor = communication for exchange of information on different levels in the company established through meetings</p>	
<p>C8: Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap -re-evaluate goals met 	<p>Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap & re-evaluate goals 	
<p>C9: Culture of companies important for trust</p>		

Table 3.4: Table of 1st reduction & refining of Categorizations C1...C9

Results from the 1st reduction

Categories		Interviews								Sum
		I1	I2	I3	I4	I5	I6	I7	I8	
Advantages	C1	4	4	7	8	9	8	5	20	65
Requirements	C2	9	5	2	5	15	3	8	4	51
Problems	C3	0	4	0	0	0	0	4	8	16
Contracts	C4	6	11	6	17	5	3	9	12	69
Efforts	C5	4	9	3	2	4	7	4	8	41
Independence	C6	5	0	3	4	9	5	11	9	46
CSF	C7	3	2	2	2	3	5	4	10	31
Plan & control	C8	1	5	2	1	1	1	3	0	14
Culture	C9	5	0	0	1	2	3	0	0	11
		37	40	25	40	48	35	48	71	

Results from the 2nd reduction

Prerequisites	C1'	18	9	9	14	26	14	13	24	127
Contracts & plans	C2'	7	16	8	18	6	4	12	12	83
Critical Success Factors	C3'	7	15	5	4	7	12	12	26	88
Independence	C4'	5	0	3	4	9	5	11	9	46

Prerequisites = Advantages + Requirements + Culture
 Contracts & plans = Contracts + Plan & control
 Critical Success Factors = Problems + Efforts + CSF
 Independence = Independence

Table 3.5: Table of final Categories C1'...C4' including its statistics

As a result drawn from table 3.5, fulfilling the "prerequisites" is the most important category .127 counts, or 37% of the text passages support this category. The second important is the "critical success factors" (communication, etc.) with 88 counts, or 26%, supporting this category. Almost of equal importance are the right "contracts & plans" supported by 83 counts, or 24%, of the text passages identified. Still 46 counts, or 13%, of the text passages support the category "independence". Further conclusions drawn from these results can be found in chapter 4.

Chapter 4

Results and Conclusion

Alliances between companies have become crucial to business success, particularly in high-tech industries.³² These play a key role to the company's strategy and performance, [small] companies without alliances will face a clear disadvantage, if they don't make use of such tools.

The current economic climate has also influenced this research. SMEs involved in alliances with customers in the industrial area are more affected by the crises than those whose customers largely serve academic clients.

As a conclusion, the most important final categories are described and discussed in this chapter.



Figure 4.1: The most important SF for a successful alliance

³² Gomes-Casseres 2000, 1

4.1. Prerequisites

The prerequisites are the single most important category. They are derived from category C1: "advantages", C2: "requirements" and C9: "culture":

1st Reduction	Generalization	2nd Reduction
		C1'=C1&C2&C9
C1: Advantages of the alliance: -cost saving in R&D -time to market -growth in revenues -predictable sales & payments -use partner's marketing & service network	Successful if: cost saving time to market reduced growth accelerated	Fulfill Prerequisites: similar goals & synergetic capabilities cost saved or time to market reduced mutual understanding & culture
C2: Requirements for the alliance: -same goals e.g.: growth -understand your partner's benefits -synergetic technology & products -natural incentives: seller' revenue & buyer's supply	Requirements for success similar goals synergetic capabilities mutual understanding natural incentives for alliance	
C9: Culture of companies important for trust		

Table 4.1: Refinement of the category "Prerequisites"

The research shows, that this category is the single most important. ***In other words, if you don't share the partner's goals, can't profit from the alliance, or if your culture is very different to the one of your alliance partner, you should not enter into such an alliance.***

4.2. Critical success factors

The second most important critical success factors are derived from category C3: "problems within the alliance", C5: "efforts" and C7:"CSF-communication"

1st Reduction	Generalization	2nd Reduction
C3: Problems within the alliance: -quality issues -lack of resources allocated to the alliance (e.g. training)	Unsuccessful if: lack of resources allocated	
		C3' = C3&C5&C7
C5: Following substantial efforts guarantee for gain: -development of relationship & trust -communication -allocation of efforts to short-, mid- and long term goals to master [daily] operation	Efforts required: development of relationship & trust communication Mastering daily operations	Critical Success Factors building trust communication on all levels = #1 CSF allocation of sufficient resources to master operations
C7: Most critical success factor = communication for exchange of information on different levels in the company established through meetings for: -management (occasionally) - let your partner know when you feel something is wrong immediately -production (weekly) -service (weekly)	Most critical success factor = communication for exchange of information on different levels in the company established through meetings	

Table 4.2: Refinement of the category "Critical Success Factors"

The research shows, that this category is the second most important. ***In other words, you must never stop investing your efforts into the alliance. Of the most important efforts are continuous communication as the #1 CSF, building trust, as well as allocating sufficient resources for a smooth operation within the alliance.***

4.3. Contracts & plans:

Contracts & plans are derived from category C4: "contracts & agreements" and C8: "strategic planning"

1st Reduction	Generalization	2nd Reduction
<p>C4: Contracts & Agreements</p> <ul style="list-style-type: none"> -define tasks and rules upfront and think how it will work in practise -simple, written, understandable -sit down yourself and involve lawyers on both sides for approval only -no complex contracts with continuous addendum for solution of new problems -develop an exit strategy 	<p>Contracts:</p> <ul style="list-style-type: none"> simple, written understandable definitions upfront develop realistic frame yourself and involve lawyers for approval only develop continuous addendum for adaption of to new situations develop exit strategy 	<p>C2'=C4 & C8</p> <p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> frame definition upfront with continuous addendum simple, written contracts developed together with your partner approved by lawyers plan & re-evaluate goals
<p>C8: Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap -re-evaluate goals met 	<p>Strategic planning:</p> <ul style="list-style-type: none"> -develop a roadmap & re-evaluate goals 	

Table 4.3: Refinement of the category "Contracts & Plans"

This research shows that this category is the third most important. ***In other words, you as a CEO – not your law firm – have to sit down with your equally leveled contact from the alliance partner and put the contract to paper. Lawyers will look through it at the very end to prove-read it. Those contracts have to be well in tune with your company's strategy.***

4.4. Independence:

Independence is directly taken over from category C6: "maintain independence"

1st Reduction	Generalization	2nd Reduction C4'=C6
C6: Maintain independence by: -develop your brand as a supplier -limit revenue exposure with alliance partner -diversify as soon as your company grows	Maintain independence by: -developing your brand as a supplier -limit revenue exposure with alliance partner	Maintain Independence: Set actions to make your organization survive without the alliance if necessary

Table 4.4: Refinement of the category "Independence"

This research shows that this category is the least important factor however it should not be unattended. ***In other words, you need to make sure, that your organization remains sustainable even without the alliance partner of choice. Developing your own brand can be a measure to maintain independence.***

Chapter 5

Summary & Discussion /

Outlook

Chapter 5 gives a brief summary, and an outlook about possible future development also taking into account the current economic situation.

5.1. Summary & Discussion:

As a summary and discussion the results derived in this research are compared with results from existing literature as well as the working hypotheses are proven for validity.

5.1.1 Comparison with results from the literature

Results of the present research are compared to the ten golden rules for successful alliances from Benjamin Gomes-Casseres.³³ To facilitate the comparison, the rules are shown so similarities can be recognized in table 5.1.

³³ Gomes-Casseres 2004, 8

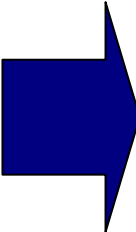

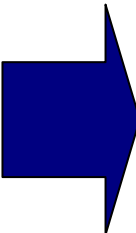

Ten "golden rules" for a successful alliance	Assignment	High-tech SMEs explored in this research (SME-research)
<p>Find a fitting partner - a partner with compatible goals and complementary capabilities (resources)</p> <p>Specialize - allocate tasks and responsibilities in the alliances in a way that enables each party to do what they do best</p> <p>Have a clear strategic purpose - alliances are never an end in themselves, they are tools in service of a business strategy</p>		<p>Fulfill certain prerequisites</p> <ul style="list-style-type: none"> • similar goals & synergetic capabilities • Cost saved or time to market reduced • Mutual understanding & sharing same culture
<p>Exchange personnel – regardless of the form of the alliance, personal contact and site visits are essential for maintaining communication and trust</p> <p>Share information – continual communication develops trust and keeps joint projects on target</p> <p>Develop multiple joint projects – successful cooperation on one project can help partners weather the storm in less successful joint projects</p>		<p>Critical Success Factors</p> <ul style="list-style-type: none"> • building trust • communication on all levels = #1 CSF • allocation of sufficient resources to master operations
<p>Be flexible - alliances are open-ended and dynamic relationships that need to evolve in pace with their environment and in pursuit of new opportunities</p> <p>Operate with long time-horizons - mutual forbearance in solving short-run conflicts is enhanced by the expectation of long-term gains</p> <p>Minimize conflicts between partners - the scope of the alliance and of partners' roles should avoid pitting one against the other in the market</p> <p>Create incentives for cooperation - working together never happens automatically, particularly when partners were formerly rivals</p>		<p>Simple Contracts & long term planning</p> <ul style="list-style-type: none"> • frame definition upfront with continuous addendum • simple, written contracts developed together with your partner • approved by lawyers • plan & re-evaluate goals
		<p>Maintain Independence: Set actions to make your organization survive without the alliance if necessary</p>

Table 5.1: Comparison between the "golden rules" and the SME research

All ten “golden rules” could have been assigned to the results of the presented SME-research. For the SME’s wishing to maintain independence however no equivalent rule has been identified within Benjamin Gomes-Casseres “golden rules”. A particular reason for the SMEs explored in this study could be the difference in size between the alliance partners, which might make smaller SMEs more cautious.

5.1.2 Working hypotheses:

The working hypotheses from chapter 2 are proven upon validity:

- TC for complex contracts are higher for SMEs (relative to the volume of the alliance)
- Incomplete contracting is more likely in contracts between SMEs

Surprisingly the disadvantages for SMEs in the 2 hypotheses above can be circumvented by allowing executives to work out the contract together, before they are read by lawyers only for a final approval. This not only saves costs (working hypothesis 1) but also potentially yields more practical contracts as a basis for the daily life. Although the first two hypotheses might be true, they don’t seem to create a significant disadvantage for SMEs.

- SME-alliances are built on trust

It can be confirmed – at least by interview I1 – that trust and mutual understanding plays an important role for SMEs. Also other interviews (e.g. alliance A3) prove that trust has developed over time and plays an important role to facilitate the daily life within the alliance and finally may decide success or failure.

5.2. Outlook & economic situation

The current economic situation - facing recession over wide areas of the developed world - might foster more radical ways of how business is done.

Even the most paranoid owner, founder or executive of a SME might consider alliances with other SMEs or LEs when he sees his venture at risk of going bankrupt. Even if alliances are considered as a solution of last resort to some SMEs, in the current economic situation of recession it might be motivation to ally for more owners or executives of such SMEs as compared to boom times. The currently difficult situation thus offers a new chance to learn about the possible advantages as well as disadvantages of strategic alliances. What is true for synergetic partnerships between executives within companies can, to a certain extent, also be applied to partnerships between companies. Darrell K. Rigby et al. writes about relationships in such turbulent times in his article.³⁴

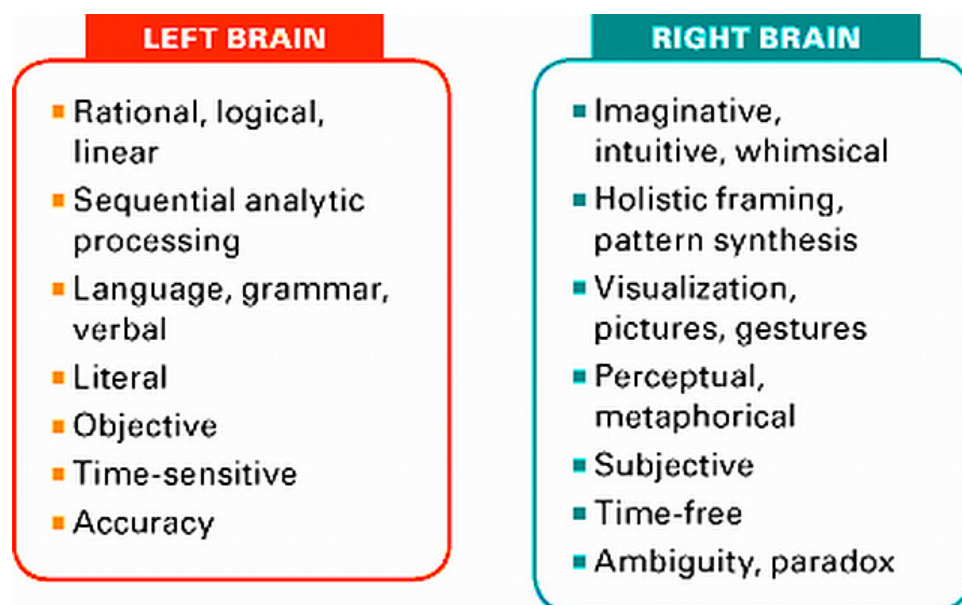


Figure 5.1: Synergetic left- and right brain competencies³⁵

The LE can contribute by offering the rational “left brain” and the SME the creative “right brain” within a strategic alliance in the field of innovative high-tech businesses.

³⁴ Rigby 2009, 79

³⁵ Rigby 2009, 84

Annex I - Listings of Interviews

This chapter contains of the interviews recorded during April and May 2009. Interviews are anonymized and categorized by their company's activities

Interview 1

Date: March 25, 2009
Time at destination: 6 p.m.
Interviewer: AST
Interview-partner code: I1
Interview-partner position: CMO
Duration: 55'
Situation: Phone-call
Atmosphere: at Airport

Statistics:
Company code: S1
Year of establishment: 1999
Sector: Electronics equipment
Revenue: EUR 1.5m
Employees: 9
Location: Western Europe

1) Internal questions – strategic purpose

Q1: How would you define a successful alliance; the expectations from your point of view? What would be successful from your PoV?

A: My answers will not be prioritized.

I think the 1st very important thing is the relationship between the persons involved.

There is a personal relationship, off course mutual trust is driving such an alliance. And mutual trust only comes from a long term relationship which can be either a business relationship or a personal relationship or both.

With Our alliance partner as I indicated before, we are a little bit like a family in the sense that our partner's CEO has been working under the responsibility of our founder. When our partner's CEO was working for his former [large] employer, he placed the 1st order for our main product, when our main product was on paper, and this in fact emphasizes the relationship which was based on mutual trust, because I would not know any B2B relationship in which the customer would place an order for a specific technology that has not been demonstrated apart from the idea and the concept and the preliminary results obtained in the lab and so this was really a strong move from our partner's CEO where I would say trust into this nascent company and to place an order our company in order to help them with the financial means to develop the product. This is the inflection of our company and in order to build a company you need to have at least functional prototypes in order to be able to make business and even with functional prototypes you need to have a mutual trust or relationship to initiate such process. In our case it started from personal relationship and mutual trust with high cross competencies so we have to speak the same technological language and we have to share mutual competencies at the same level.

Those are the success factors, if you don't have that, you will not succeed in a strategic alliance.

Q2: That very well described the start of your alliance. Do you have certain activities or actions now when the alliance is on the way already?

A: This is something, I would like to keep confidential – Yes we have activities going on.

Q3: Are there some strategic goals for your alliance? (e.g. cost saving or other savings as a reason for starting the alliance) The reason, the goal (you will not start an alliance because you have a partner you can trust).

A: There must be complementarities between technologies or the products

Q4: May I interrupt you, this is also not a reason why I enter an alliance – the question is what do I want to achieve?

A: You mean in regards to the business, e.g. synergies in development, synergies in terms of the customer base (marketing), synergies of not duplicating development, an alliance [advantage] compared to competition, that means the market and the technologies we don't share, at least the product of each company and the market needs can lead to identical development or identical goals and in order to mutualize development caused by synergies in development and not to duplicate development we may have an interest in building an alliance.

Q5: Coming back to actions during the alliance, which you don't want to name specifically, but I am now more interested in communicational respects between the partners, who is talking to whom, at which level is this alliance lively?

A: First you have to start with discussion at top level, because a strategic alliance will heavily impact your balance sheet. That must start from top management and the goals from the alliance shall be clearly identified and negotiated at the top level. Starting from that point, we have to address the way we do mutually work together by identifying the key competencies and some kind of project manager –because that is a project as well- from each company and each company should aim at the same objective and share different responsibility

Q6: How does the information from top management move down the structures?

A: We have a name for that, in English I would translate it by the fact that the decision process is not linked to one person, even if it is the CEO, it must be acknowledged by all the actors within the company. The 1st step is to get at the top management level the frame of the agreement. The 2nd stage is before we get to a written agreement to get all the persons involved in order to get their concerns and to work on these concerns to agree on the objective within all the organization levels. Once this is achieved, then we can work on the draft document which we would go through a memorandum of understanding. The memorandum would be at the management level. And then there would be a point that everything would be clarified and negotiated (shared responsibilities, etc.) and we work on a document level addressing the collaboration with the goals and with the objectives. That would be more an operational document

Q7: Do you have contracts in force already between you and your partner company and how important would you say are such contracts for an alliance.

A: I would say the contract itself is not that important if there is mutual trust. If there is not, you need a contract. In our case we don't have a contract.

Q8: You are working with P.O., but not with a contract defining how the booth at the exhibition is shared? From the outside it seems very well organized, you are building a common front in front of your customer – this is my perception:

A: With regards to address the trade shows it was more on a opportunity base, the idea behind that was not driven by an alliance. The common front in front of the customer, OUR COMPANY has not specifically managed. For OUR COMPANY that was an opportunity at first, than we have reconducted such an approach by simplicity for us. As far as OUR COMPANY is concerned, this is harming us in the sense that we would liked to be viewed by the external world as a standalone company. Not affiliated to Our alliance partner.

Q9: How do you see the ratio between efforts and benefits?

A: Communications: The benefits are the simplicity of the trade show management because we reconduct things we have already made, so it is undoubtedly saving resources on trade show management. One drawback is that there is the perception that we are strongly coupled while we have many OEM partners that are treated the same was as Our alliance partner.

2) External questions – market view:

It is difficult to compare before and after the alliance, since the alliance is as old as the company is.

Q10: How is your Market share effected by the alliance?

A: Our main Product is not applicable to the question, but the product M is more, because it has been developed in combination with Our alliance partner on an exclusive basis and we can say that the market share for this particular development is 100%. Product M is sold in all systems above a certain energy level, exclusive to our alliance partner.

There is a mutual benefit that is very high for both companies. May be there is a questions mark if the exclusivity which our company has given to our alliance partner is limiting the numbers that our company can sell abroad. Today we have a 100% market share on high energy products which is great. But not to potentially put product M into other markets than the high energy products, e.g. the products K, that is not beneficial for our company and it is neither beneficial for our alliance partner.

Q11: Visibility – general:

A: I am pleased to have a bigger booth by making a cluster type of companies. The drawback is that we seem to be a single company while that is not the case.

Q12: From the marketing alliance to an integrated alliance (supply chain). Obviously Our alliance partner is an important customer. Do you see the fact of such a big customer as a thread?

A: I don't want any customer to be more than 10% of my turnover, even the alliance partner. Would our technology benefit dramatically our customer's products, so would this be a key technology and would the supplying cost be alike, and would the potential for our company in the turnover be over 10% then we would form a joint venture for one specific application outside of our company, in order to keep our company independent (e.g. 50:50 JV, inputs are assets).

3) Critical success factors

Communications:

Q13: Can you name some cases where you shared information with your alliance partner which you would not share with your ordinary customer?

A: As our company is concerned, it is not the case, due to the nature of the business of our company. We have our business partners competing between them. I cannot cheat by passing any confidential information with regards to any business within our company. Would I know that another customer is bidding on a certain product on one side, I would never discuss that inside of the alliance.

Q14: Did you receive information from your alliance partner which you would usually not receive from a customer?

A: Yes – no further comments – confidential

Q15: Do you exchange personnel? A: Yes

Q16: Is your alliance partner a former rival – A: No

Q17: Is your alliance partner a former customer?

A: Yes, it was our former customer and then the alliance partner.

Q18: Your alliance is an alliance between SMEs. Do you have an experience with an alliance with a big company?

A: Yes, when I was working in the semiconductor industry

Q19: But we are talking here about your company:

A: If I have an alliance with a much bigger company, the answer is no.

Q20: Is it an alliance with more than 2 partners? A: No

Q21: Compatible goals and complementary capabilities – how would you weight the importance?

A: Complementary competencies are more important, because in my mind it creates value. You can share the same objectives, but not making value.

Q22: It looks like you are technology driven rather than trying to fulfil some needs?

A: Yes, we are definitely more technology driven than market driven.

Q23: To avoid conflicts within your alliance, how do you solve issues?

A: Put the problems on front and negotiate them. Usually the conflicts come from operation and redefinition of the goals for reasons that could be technically oriented, market oriented or having different reasons, but we favour to solve the conflict at the operational level, where there is the problem. If it is on the technological level we try to solve it by redefining the technological goals and address another technical solution. So we try to fix the issues where they pop up. It is a bottom to top approach.

Q24: Contracts: You don't have contracts in place; you did not design such contracts before you started the alliance.

A: Complex contracts are required if the trust is not totally here. Lawyers are involved and the discussion of such contracts is only possible upfront at the top level. This is not the case for our SMEs.

Q25: Specialization – Are there some clear mechanisms that you do what you can do best and your alliance partner does as well – how are the interfaces defined?

A: The mutual fit is excellent with our alliance partner, but I view it also excellent with company T and with our company, because we are not involved in manufacturing our customer's products, we are involved in instrumentation around lasers. In fact there is an excellent fit, so the competencies are really well separated, we are very complementary. There is always an interface which we have to have in understanding of the competencies of the laser manufacturers and they have to have an understanding of our technology as well, but not at the same level. We have to have basic understanding in amplifiers, but we don't have to work on the same level as our partner. At the interface, you need some kind of mutual competencies, with strong specialization on each of the complementary competencies. There is zero overlap between our offers and our alliance partner's offers.

Q26: Long- mid- and short term time frame. Do you have quarterly goals and can you help each other to meet them or is it more on the long term horizon?

A: On opportunity basis we may help each other in short term. Thanks to the fact that our fiscal year is not the same, we are complementary in accounting. It is however in the long term that we in fact help each other based on the mutual benefit.

Q27: Can you give an example for a benefit on the long term? Do you share company strategies, do you have strategic meetings?

A: We try not to. What would make sense from an external PoV from the financial value, from the PoV of vertical integration it would be our alliance partner, company F and our company. In terms of financial value, that would definitely mean something. From the shareholder view, how we see the future, we might have a strongly divergent view.

Q28: Keep in mind, an alliance can be dissolved after fulfilling a certain goal. Is this the case in your alliance?

A: No, this is not the case.

Q29: To strengthen your alliance, do you have multiple projects in operations or do you concentrate on a single one?

A: One has to take care about the size of the company and the resources that each partner has available. Therefore we just try to have only one of the projects going on in our company with Our alliance partner at one time. In practice we are driven by the market needs. We have to prioritize our internal investment on the shortest potential period and we put a high priority on RoI with regards to the projects, given the market need at a specific time.

Q30: Do you start an alliance for one project and finish the alliance when the project is done?

A: The definition of alliance and project is a little bit tricky. An alliance can be driven by marketing goals and in that case a single project or in case of technology

it can address various problematic. In case we develop the technical capabilities together, it can give us an insight which market to address. This is the point, where the coherence with the market may orient at a specific timing. Even an alliance which has been triggered by a technical development which has been market oriented, or an alliance based on a technological development will bring market opportunity → this will be a dynamic loop influenced by the customer requirement.

Q31: Legal things: Due to the fact that you don't have a contract in force, did you experience a problem, did you face the situation, that you wanted to point on a certain paragraph in your contract, or do you see more benefits from talking face to face, without having a contract

A: I would see more benefits from talking face to face to the person, but we might be in a situation where applying a contract is pretty fine like rules for the relationship, but I would not like to talk about e.g. exclusive agreements vs. quantity [of a certain product] because we might be in a situation where the quantities might not be reached, which would set a question mark on exclusivity, which might be to negotiate on a fact to face basis. So the contract is legally binding, but it is mutually preferred to find a solution which would be mutually beneficial and not applying the contract as it is.

Q32: You did not have a situation where you would have wished to have such a contract in place?

A: Yes there is! There are situation where I would feel better to have a contract in place and there is a need to have a contract. We have a contract with respect to product M, which is an exclusive contract. But within the frame of the global alliance, the way we work together, the way we handle projects together, we don't have a contract in place. And there was no critical situation where we would have wished to have a contract in place.

4) Results

Q33: What do you believe it most critical in an alliance? What is the most critical success factor?

A: Relationship and competencies and culture

Q34: Can you tell me about the culture?

A: You have to share the same value and the same social view; you have to share the same view how you socially manage companies, you have to share mutual values.

Q35: And this is in a very well agreement between you and our alliance partner?

A: Yes, we are all company T's children

Q36: Yes, but you are very different now!

A: I started my career in big groups and it was very instructive and we have some older persons that were in such group, they share a little bit of a company culture and there are always traces of this culture and we share that. So there are good things we have been taken out of this culture of big groups, there are bad things that are not applicable given the size of the thing, but we share this mutual understanding.

Off course being European, we share the same social values with the over all European people, which is also important. I think that an alliance with a company that does not share the same culture is more difficult to simply make it on a relationship base. There would rather be a formal contract required.

Q37: Given the fact that you are working together with our alliance partner since the beginning of your company, what was the most important insight you have reached during the time working in this alliance?

A: You have to treat your partners the best possible way. You have to be really open minded, and focussed on their problems and try to bring mutual solution to the problem openly.

Q38: Do you have actively to provide solutions for the other partner's problems?

A: Either we have ideas that are beneficial for our customer's community, which are our company's ideas those would not be oriented to the complete community, or we are driven to a niche, where the partner is looking for our core competency and the reverse situation would apply as well, which would call for exclusivity we have to analyze such a request in priority. In other words, you have to focus on your existing relationship. Partner first!

Q39: What recommendation would you give me for running a successful alliance?

A: Mutual trust and a friendly environment, human relationship first, which implies shared ideas

Interview 2

Date: April 13, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I2
Interview-partner position: CEO & Founder
Duration: 55'
Situation: Phone-call
Atmosphere: at home

Statistics:
Company code: S4
Year of establishment: 2000
Sector: Electronics equipment
Revenue: EUR 6m
Employees: 26
Location: US

1) Internal expectations – strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you describe a successful alliance?

A: From our PoV a successful alliance would be one that would result in an ongoing relation of profitable business (revenues and profits) for an extended period of time. This would be the most basic way we would define success in a business.

Q2: When looking into the alliance, how would you describe actions within that alliance – what would you expect what your partner does and what are you doing in such an alliance?

A: Focusing on a single alliance partner in the semiconductor business – a semiconductor tool manufacturer, a large company with revenues of \$10+bn: We are an important part of their supply chain and provide components which are used in a semiconductor manufacturing facility. So the people who make chips and other semicon- devices use machines and embedded in this machines there are products that we produce. People which are responsible for the performance of these products, are the so called capital equipment manufacturers and in our case one who makes the big machines. They engineer and design the machine and then they work with the industry to put together a supply chain, that can produce a reliable set of components, that can be assembled together to perform the function in the semiconductor factory.

Q3: Repeating: Supply chain is the main topic and you are a provider for your alliance partner. How do you maintain the alliance going on, what are the requirements to go into that alliance, which you would not do for an ordinary customer (investments, etc.)

A: This business has extremely tight quality and reliability requirements. In order for us to be a viable supplier in this supply chain, we have to be able to provide a

product which performs according to the specifications. You have to be able to conform to the quality requirements of the end users as they flow down through the supply chain. We have to be able to provide failure analysis and to support the business in a competent manner. This is the most important difference which separates this relationship from others.

Q3: The requirements are higher than those in all other relationships you have.

A: Yes, the reason is this is all flowing down the supply chain of the semiconductor manufacturers and the biggest one that really sets the norm and the biggest of them is INTEL Corporation. And they demand all suppliers to comply to their "copy exact" requirements. They defined the methodology which has to be used by all the suppliers in their supply chain. All of us have to comply to their quality approach, which is "copy exact"

Q4: This was also a very technical requirement. Are there other things around that, other than technical requirements? Personal contacts, etc.,

A: In this relationship, we had personal contacts with the company that makes the equipment. That personal contact was developed approximately 1-2 decades ago when those products first were developed. The company that was trying to make this machines ran into a very difficult barrier, they could not make a particular component and they were working with very large optical manufacturers and could not get one particular piece to work and they went around and looked at all optical manufacturers and my previous employer could offer a solution to the problem. I was the person who provided that solution to the customer. My old employer got the business under copy exact – they had 100% of the business and 2-3 years ago they run into a manufacturing problem – they could no longer produce the product reliably. The customer came immediately calling me "Hey your old company can no longer make these products – can you make it? It took us probably 1 ½ - 2 years from that telephone call to be the supplier of record. The 2 years is because qualification time for this equipment is months, not days, it takes months to qualify. And also because the facility we needed to qualify for that product needed all operate under copy exact. They couldn't easily stop and switch to another supplier. Copy exact it the quality system dictated by Intel. You cannot change a product, because any change will have consequences down the road of the supply chain. They are far stricter about this than any other industry. It basically builds a barrier to change. The barrier is also a barrier we had to overcome to qualify for manufacturing this product. Because of that, when they switch from the old manufacturer to us, they had to be careful not to infringe copy exact. They had to go back and deal the case, that the change that was made was necessary to required and it was a positive change. That was a 1-2 year process.

2) External expectations – market view

Q5: e.g. could you improve market share, could you improve marketing expenses, etc. In your case it might be more unique – it is not like selling something to one more "special" customer:

A: You are right, the supply chain, we are part of, we expect we have 100% of the market share. And marketing cost at this time is negligible to zero. We are written in as the manufacturer and the supply chain cannot change this without going all the way to Intel.

Q6: When we talk about transaction cost (TC). This is e.g. starting with legal things (writing a contract) up to development of the process in your facility. I

assume it was worth doing so, that the efforts you put into that where less than the earnings that you receive from this relation ship?

A: The efforts are very low, but they are not zero. E.g.: we had a NDA with this company which is a very costly issue, because they have a very big legal team and when they set up a contract or agreement, their draft is very one-sided and unreasonable. Even to enter into an NDA, we had to hire an attorney and had to spend legal cost to negotiate the NDA, so that they were not completely one-sided and unreasonable. In general however, it is trivial to the revenues that are generated. The revenues are ongoing, every week, every month, and we hope for many years to come.

Q7: You could also improve your pipeline?

A: The efforts in contracts are small compared to the revenues over its life time. Also, we see an indefinite life time of these products. This is a very prolific process how we make these components, it is probably, it is probably the most prolific process in the semiconductor industry. The process is relatively new, and we expect this process will be used in one form or another for several decades or even a century.

Q8: Did you create IP or share information?

A: We have had unfortunately to disclose confidential information in this alliance, based on demands from our customers which had to have access to detailed procedures and processes and we had to make concessions to give them access to that information with NDA in place, which we would never give to any normal customer. That was a big concession on our part in order to get the business. They wanted to be sure that we could not say tomorrow – we have enough money, we can go away... Among other things, they wanted to put our process documents in escort – in case we would not provide products to them any more, they would have access to our knowledge.

We have patents hanging on my wall, but these patents were assigned to my previous employer and we have not pursued application of additional patents on this work.

3) Critical success factors

Q9: Did you exchange personnel with your partner?

A: We have not exchanged staff with our partner

Q10: Did you create incentives to keep the alliance afloat?

A: There is very large disincentive – on the negative side – to disrupt the alliance. On the bulk of the products, the disincentive for us is that we lose the revenues; the disincentive for our partner is that they will not be able to provide qualified products. Under “copy exact” they cannot change the supply chain. They were forced to do so, because, the previous supply chain was failing to provide feasible products. If that happens again, Intel will tell them, you have to pay the cost of qualification. The cost of qualification of such kind of a product is \$1 – 2m per product. So there is a barrier to change and the incentive is that you don't have to bear the cost and we don't have to bear the loss of revenue if we stay within this alliance.

There is a 2nd sister product that is currently still being manufactured by my previous company with which they did not run into troubles with that. It is an

older product and it is of lower volume of business. We are wanting to capture 100% of that business as well. In that case, we are offering a price incentive. We are cutting our margin incredible to make the customer switch as well. The customer said to us they are going to make it anyway, but they are doing it when the time is right. We are offering them 15-20% price incentive, to make the change quicker. That has not yet happened. – (MULTIPLE projects make an alliance stronger!)

Q11: Threads for forward integrating – you offer to your end-customers directly or back-integrating – your customer sets up its own coating facility if that is such a key product?

A: Our customer / partner is talking to us to take on more of his supply chain in respect to this product. The critical step that we perform is the process n. Now they are asking us to take over the process n-1 and in a next step they could ask us to manufacture the whole component. They are already pushing us to take on more steps of the supply chain. The reason is that we are a much more technical competent group than any other provider.

Our provider on the other hand does not have the knowledge to make such a product. They are simply machine shops.

Our customer on the other hand has been working for the past 20 years on outsourcing all manufacturing steps, because they believe their business is based on IP, not manufacturing. Furthermore we feel comfortable, because of the copy exact requirements and the fact that the qualifications of other vendors would be very costly. There is no 2nd source, because the customer will not allow it. There are not 2 suppliers for 2 factories, because the chips would be different.

Q12: How important do you see personal contact, site visits, etc.?

A: Critical! We were given the opportunity to get qualified for these products only based 100% on personal contact, site visits, and audits back and forward between us and our customer.

Q13: Complementary capabilities – no conflicts because of overlap here!

A: There is one critical issue in junction with their customer: we were approached to bypass the equipment manufacturer and sell directly to the semiconductor manufacturer. This however would be in violation with a number of issues (NDA, ethics, etc.) but this can be done, but we don't do that, we respect the IP of our customer.

Q14: You talked about the NDA, do you have also other complex contracts in place which regulate what you allowed to provide to whom etc.?

A: The NDA is the most complex, because it is not a simple NDA, the company we deal with has a very large team of lawyers

Q15: Copy exact is it a contract you had to sign?

A: No it copy exact is a standard you have to comply with, we had to fulfill the audit. We had to go through a training; all our management is trained in copy exact, but it is not a contractual requirement. That may be a contractual requirement between our customer and the end user. In reality we do not have any contracts in force. The requirements are communicated by the material managers of our customers. When the requirement comes in, we ship against

that requirement and we invoice it. It is a very simple transaction. Mostly, instead of a contract, we believe we have a good understanding of business, there is no large or long term contract.

Q16: if they depend so much on your product, they should have a contract which defines the processing time, delivery terms, the quantity, etc.? There is no minimum delivery volume in place?

A: 31:57: There is no such contract in place

We have provided a quotation which outlines the cost and the delivery time for anyone of the products we produce for them. The last revision has been generated 6 months ago

Q17: If you don't provide in time, do you need to pay penalties or how do they make sure that they receive these goods in time and for the quantity they need for keeping their business going on?

A: We are not contractually obligated and we will not be penalized. But I have to state the performance under these small P.O.s; because what happens is that the material they release to us is like a small P.O. and performance under these orders – if we can perform in a manner that we never show up as a problem in their system – we have a track record – you might be surprised, this company does not grade their vendors based on their quality of the delivery, many of our customers do, they send us a report and they say “ here is your quality grade, here is your delivery grade – this customer doesn't do that. The bad side of it is: if they do not get what they want, when they want it, they immediately are on the phone and immediately communicate with us writing. So there is no contractual agreement, but there is a very strong communication. For the past year, we had conference calls with them every week once a week and it really isn't rare, that we have a conference call once a day. The materials planners and schedulers are those planners are the ones we interface with regards to delivery issues and the pricing is what set the form of a quotation from us and we never require that we contractually commit to a large number of parts in order to extent the production quantity. This is a decision we made, because we wanted to make it easy to make business with us. We wanted them to start using us in their production system and not have to go to the level of a VP or president to make a contractual commitment they are not accustomed to make it.

Q18: But to my understanding it is exceptional that there is no complex contract in place with such a large company and you are basically relying on a good communication. This is naturally a good thing, but I thought it is unusual...

A: It is may be. Here all the efforts concentrate on the publication of the supply chain and releasing a qualified product. The question is “What is your capacity how many can you make per week or by month?” All of these were discussed and qualified prior to the qualification of the “product”. The big companies have reports from us about what is our capacity, in case you increase your capacity, how long would it take, what is the cost. The discussions occurred in a phase prior to the release of the product, but there is no contractual agreement. We had a great deal of history with the product. We know that there will be many of these products and they will be used for the next 2 decades at least and we knew the application and the market and they looked at auditing our capacity and the technical capabilities and our quality. The assumption here was that if they give us money, we will make the product – this is a very simple business assumption. Our process is very complex and we had to disclose it.

Q19: So you had to disclose IP?

A: We had to disclose it to them and they agreed that they will never use that information, unless we cannot provide their needs.

Q20: Focusing on conflict: You already said, a phone conference is a very appropriate way. How about time horizons? When you think in going into this alliance?

A: what I could understand, the most important thing is to keep your customer for a long time.

Q21: So it is more important than quarterly results...

A: We spent the money to develop the capability years ago, because we think that it is very important – without having a customer.

Q22: The customer came to you and asked you for that?

A: When the customer came to us and said “we have troubles with our current vendor - your old employer - can you make this product we already had the process in place to make it. We spent the money and it took 3 years to start getting the revenues from that initial investment. But now going forward is just maintain the quality and we are now responsive to NPDs because it is a family of products and every 6 months to a year it is the requirement of a new version of a product and we need to be able to respond to those as well as to maintain high quality products. And if you do that you have a business for ever. The only thing that triggers any change, or creates risk to our products is failure to our products at the users’ facility. If the products don’t work, then our business is in trouble. If the products work, we have the business.

Q23: From your PoV it is an open ending alliance, rather than having a strict DL in view – to say we make that now for 2 years and then we stop this. You are always interest in developing new products and new processes and having that going on for a long time?

A: Correct!

4) Results

Q24: 42:28: What is the single most important CSF for this alliance?

A: It is technical competence. In this particular case, we always compare to the company that already had that business – which was our old employer – they could not resolve the problems. We were able to overcome the problems. We had the marketing connections and people connections. Because we had the possibility to resolve it, we put ourselves in the position to overtake the entire business.

Q25: Insights from this alliance which you gained?

A: The issue of competence what has allowed to take this business is attention to minor details. It is a very simple thing, we are not just ... these products, there are lots of details, and in the same way, if any of those details are compromised, when the end-user makes a Pentium computer chip, the chip may not work. The same attitude is applied at a level of a very simple component. We don’t view this as a simple component, we see this as a critical component and there are many things that can go wrong. This is the philosophy that the end users had been

pushing us in the copy exact methodology and indeed this is the critical success factor.

Q26: What would be your recommendation for a potential future alliance which I might go into?

A: The thing that comes in my mind is to make the alliance with the strongest possible people! You are better off making alliances with the best! Our alliance is with a company that has over 90% market share for these products, for this equipment. They virtually control 100% of the market. If we had this alliance with a 2nd or 3rd tier manufacturer, there would be no financial reward. Therefore we make this alliance with the biggest vendor that has the best pay off.

Q: Thank you for this extremely interesting interview

Interview 3

Date: April 28, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I3
Interview-partner position: CFO
Duration : 55'
Situation: Phone-call
Atmosphere: at work

Statistics:
Company code: S4
Year of establishment: 2000
Sector: Electronics equipment
Revenue: EUR 6m
Employees: 26
Location: US

1) Internal expectations– strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you describe a successful alliance – what is important from the PoV of the CFO for a successful alliance?

A: We want to meet the requirements of the customers; we also would like to see the alliance grow over time – opportunity for growth and potentially more business. A good alliance enables both companies to understand the technology a little bit better to go forward since both companies build on technology. Finally – as a finance guy – you want to be profitable.

Q2: The answer you gave me is a long term perspective – could you confirm this?

A: If you have an alliance with another customer, this is certainly a long term relationship. We do a lot of one time jobs, but I don't see those as an alliance.

Q3: Can you describe some strategic goals & motivations of the alliance?

A: There is a lot of technology involved, the alliance we see it would be the most profitable for our company it also could also be our key customer because of shear revenue. If things are successful in the semiconductor industry, this is a really big golden nugget for us.

Q4: and you don't want to leave it as a shear vendor – supplier relationship, you want to make something long lasting form that?

A: A lot of times when you have a big customer and you become an important vendor to them and you become critical, it could also mature into a relationship where they potentially would buy you, because you are critical to their supply chain. In that particular case, I would not see that happening, but I would not rule it out, but this is also something we would like to keep our eyes open.

Q5: Could you name me some efforts to keep such an alliance afloat? What is your input, some investments – not necessarily monetary – but e.g. communications etc.?

A: There have been a number of technical issues though, the collaboration between our technical guys and their engineers has been very focussed in the last few months, but certainly CEO is our technical lead for our company, so spends an enormous amount of his time dealing with these guys in the technical issues as well as on the business side issues negotiating pricing and warranties and so. We had submitted our main guy and our main technical guy along with a number of other people spent a lot of resources to figure out how to make this alliance and the problem with the products to move forward. On top of that we have committed to hiring some technicians to be running the process and we have committed to also buying equipment. We ended up not buying it, but we are ready to buying it, if the volume increases.

Q6: Basically an investment which is very specific for this business?

A: Correct!

Q7: By investing in that you basically take a certain risk that you cannot easily get out of this alliance?

A: Correct, we are buying stuff and are hiring people just for this project. In fact, what has happened is that we committed in hiring an extra person and buy the machine. And you know in the last 6-8 months how bad things are gone with the economy in this country and so we ended up not buying the equipment in the last minute. We already hired someone and we had to reassign him and put him to a different position in the company.

Q: it is always easier to move a person to a different position, but if you are buying very specific equipment you are very much depending on your customer in case you cannot use this equipment for another customer. It basically weakens your position in front of this customer.

A: 7:57: Yes, right

Q8: In my research there is also taken into account the TC – any cost which is basically required to establishing this alliance. That could be investment on the one hand side, but it is more like cost of complex contracts. These are efforts to enter such an alliance. On the other hand you have earnings. Can you please comment on these efforts, do you have complex contracts in place and how does this compare with the earnings you expect?

A: 9:25: They have asked us in the beginning to sign a NDA with them which basically stated that we give them all the information they can ever want and we get very little back from them. This is kind of a one way NDA. That had to be renegotiated because we had been entering into that. And then there has more been a lack of contract. There is actually a 3rd party involved that actually makes parts we make for them. One of the problems that has happened is that we don't have a long term commitment; PO with these guys. Everything is signed short term. So we have no real visibility to what is coming towards us. So we spent an enormous amount of resources trying to figure this out, but at the end of the day, we have only orders for a handful of pieces. Currently for what we are doing, they are the bigger company and they have procedures in place, where they cannot alter and replace certain vendors very easily. So they cannot alter how they make

the product. So the contract we have is really sealed up with the "copy exact". In manufacturing they can't easily replace us. And it takes a lot of their resources to do it. The profitability is very good. In the beginning it is hard to measure, because we are spending a lot of time how to do these things. Working on this, you don't usually bill that time on that job, but as things move forward and become high volume, profitability will be quite good.

Q9: It seems that you know very well the whole process and that gives you more security than a complex contract for an outsider?

A: Yes, because we don't have contracts at all actually. In fact there is another company that does similar things what we do, which has been making that in the past and we had a situation where we replaced them for most of the new products now. So they have given the work to us. The process has taken several years to get to this point and in the last months in particular it has become very intensive.

Q10: Do you have any idea, did this previous company have any contracts with this customer?

A: 13:35: My understanding is they had. They had contracts a year worth, that they [the customer] basically had to buy all the stuff from them. We do not have that.

2) External expectations – market view

Q11: Just some external expectations – expectations regarding the market. One question was already answered by the fact that you mentioned that another company was active in this business which you took over – that means you could increase your market share in that particular product portfolio. The other question would be marketing expenses – I guess there are no marketing expenses connected to that business?

A: We spend very little money in marketing as a company at whole and certainly in this relationship we do not spend money on the marketing. We have contacts with the company directly and all the negotiations are done with the company directly. It is not like a consumer product.

Q12: The visibility of your customer base has not significantly changed. It is basically one customer you are talking about.

A: Yes

Q13: How has your pipeline developed? When you are looking into the future, how do you see orders coming in?

A: Right now it is so unstable in the US, we think this is really the bottom for the semicon industry right now and we think that over the next 6 months things will drastically improve and this will be a double size at this time of the next year if it is not more.

Q14: Is there anything you would like to add to your external expectations – meaning to the market?

A: What happens in the US whether things stabilize, whether consumers are buying things, the semicon industry is in for a longer down turn, because it is [not] driven by things people are buying every day.

3) Critical success factors

Q15: Sharing information – disclosing and receiving information – communications from the financial PoV

A: From the technical side it is definitely open and information is freely floating. Certainly the financial information right now the company [customer] is having a lot of problems financially. They are a bigger company, they have full load workers they have been asking for mandatory shut down like one week a month and they had massive lay offs I think so. This is unsettling from a financial perspective. On top of that – the price we charge, we can make money out of it. But if they don't pay us, we cannot make money. The real problem is, there is a 3rd party involved, they are also in the manufacturing stream. They provide a key piece where we put a film on. Their only customer is this alliance we have with this bigger company. And therefore this other company is really in the dark house. So we have a number of different customers in different areas. So we are doing financially quite well, but it has been difficult to extract payments right now from the other party.

Q16: So in case the supplier of these parts cannot supply the parts any more – so is there any alternative?

A: 20:00: Yes there is currently a 3-way deal. But the curious thing is they have been cut a long time. They cannot be replaced, it takes a long time before the whole things falls apart. It is kind of a tenure situation. But it is a huge opportunity for us on the other hand. I have sent out an email today that they pay at least someone in line, so there is some financial strain. We do think right now it is the bottom. We do not expect it will get worse.

Q17: It seems you are very active in this alliance and you are pushing things forward. There is always the thread that someone is ready to invest or to do something and then it comes to a standstill – this is obviously not the case in your alliance. Your motivation is future business even in a situation where you alliance partner may not yet be in the position moving forward.

A: I think again, as things turn around and things are going well, the product we make is super-critical to manufacturing of chips. This is only going to grow over time so we think that technology is critical – so we see this could be our biggest customer and that is a good thing and a bad thing and this is certainly something we want to go after.

Q18: 22:39: Can you comment about the size of your partner? Your customer is obviously a major company, what about the size of the other partner?

A: I would say they are small – comparable to us.

Q19: Contacts – Site visits – Again from your PoV. as a financial person. You do have a direct contact at your alliance partner with who you discuss financial topics? Do you know each other in person?

A: Yes we know each other. It goes both ways because they wanted to know about us we got the business that is huge for us as well so we have filled out a number of questionnaires on our financial stability – giving financial records on how we are doing I have not asked that about them but we keep in close contact.

Q20: So far the size of a company was also a measure for their financial stability. At least until the crises has begun.

A: Everything had turned upside down .

Q21: There is obviously no conflict in terms of competition; you are provider for a key part – so we can skip this section.

A: Yes

Q22: About contracts – So do you have a quotation in place where you have provided a price based on a certain quantity? What is the contractual situation at the moment?

A: Yes, currently the quote is based on a lower volume; there has been a large volume discount, we have increased the price a little bit, we cover the warranty problems so they pay a little bit extra for each product in case things happen down the line. However since this is in the beginning phase there is not a large volume discount. We had certain terms we have extended to them – payment terms are 30 days after invoice. Currently I am trying to renegotiate interest fee in case they do not pay in time

Q23: Obviously there have been some short term conflicts e.g. if they do not pay in time? How would you see the focus on conflicts in terms of short, medium and long term horizons?

A: It is tricky, because these guys can be a great customer for us and you don't want to cut them off. At the same time you run a receivable account and you never get paid. So if they are a certain amount of time late, we basically put a hold on all shipments until they can pay it and once they pay it, they get a current again, they move when the shipments go so that is currently the negotiation right now. Going forward we hope that things stabilize for everybody financially; that is a hope for everybody, I do not know exactly what we can do?

Q24: So you address this in front of them, how do they respond? Do they act cooperatively, do they present a plan what they plan to do or do they respond at all?

A: The communication is definitely very open and they try to secure funding to help their day to day operation and any sort of cash flow constraints, they are working with banks to get money to do that, obviously banks are weary lending money to anybody. So this is a tough situation right now we have to kind of play it by ear and be careful and don't let the debt get too high.

Q25: So they haven't offered you equity yet?

A: No [laughing]

Q26: 28:31: Since this is a project which might have a very successful development, as soon as the economy improves. Do you also have some other projects with the same company in view?

A: No, currently this is the one. There is a couple of different parts, and they are very similar. At the end of the day it is all going into the same kind of machine. So it is a very narrow focus but the up side is very big even with just a few products that are pretty similar. We are trying to diversify with obviously the other customers we have.

Q27: 29:40: Coming back to the contracts, you mentioned a very one-sided NDA. How did you fix that, did you spend a lot of money for lawyers or how did you solve that?

A: Exactly, we hired a lawyer, we have a good firm here in town that we hired to represent us, and we have redrawn and renegotiated to a so much more symmetrical, equitable NDA.

Q28: Although the lawyers are not cheap – in particular in the US, you still are positive that it was worth this amount of money for that future business.

A: I think yes, it was certainly critical, you don't want to extract all the information from you but they don't want to give anything back – so we thought that was critical to move forward.

4) Results

Q29: We discussed about a certain number of CFS – sort out conflicts, legal things , communications, etc..
What is the most important CSF from the financial PoV for this alliance?

A: The most critical thing for us right now and for the alliance would be the health of the semicon industry and the economy in the US as a whole. I think a micro scale if that is not returning at least as stable, not necessary booming, but a stable economy – banks are lending money to people and people are buying – even consumers – people are buying things it is not going to go anywhere .

Q30: So these are not easily influential factors at all. Soon the other hand, if I would ask you for an advice – I would like to enter into an alliance with a big company, what would be your advice to me from what you have learned from the past 12 months?

A: 32:42: Laughing: From a financial perspective – it is an interesting question: It would be nice for anybody to enter into a contract with a big company, a contract where you have good visibility going forward, to know what they expect of you, what they are going to order or buying from you, that gives you the ability to plan and to invest your resources appropriately. We can buy as much, we can invest all these resources and at the end of the day we are not sure that we see any of them, we don't have a good visibility on going forward, what is going to happen. That is truly with a big company, you should be able to negotiate a longer term than normal that you could plan accordingly and invest your money in resources wisely.

Q31: thank you very much, this was my last question. I wish you good success with your business and many thanks for this very interesting interview!

Interview 4

Date: April 22 2009
 Time at destination: 10 p.m.
 Interviewer: AST
 Interview-partner code: I4
 Interview-partner position: CEO
 Duration: 55'
 Situation: Phone-call
 Atmosphere: at office

Statistics:

Company code: C1
 Year of establishment: 2000
 Sector: Electronics equipment
 Revenue: EUR 10m
 Employees: 40
 Location: Western Europe

1) Internal expectations – strategic purpose

Q1: Internal expectation about a strategic purpose („micro view“ from within your company):

How would you define a successful alliance, what is your definition for a successful alliance?

A: Added Value for both. The aim of the company is to develop itself and making profit, making R&D and so on, the successful one is the one where the 2 partners are gaining added value. [This can be by] profit only or by recognition, competence, reputation, everything which may help you for developing the business.

Q2: Please keep always one alliance in mind which you think about during this interview. [Interview partner will later on switch between 2 alliances. One between 2 SMEs (company S1) another one with a small department of a large (company T)

A: My preference is the single alliance. The type of success and benefit may vary from one alliance to another, but it is always added value. That can be recognized by numbers. Topics are save some cost to get a higher benefit, or developing a new activity, or getting an advantage in the competition like a common patent. We have both things. We have a common patent in the company, so we have developed this patent together we have a patent between the 2 companies as one type of alliance. The patent by itself doesn't mean a direct profit, but it can be a protection.

Selling cost for SMEs: sharing cost for a booth with other companies which is a case of marketing alliance – the presence of one partner on our booth may help us and vice versa.

Co-development can be made by mutual understanding better the business we get advantage when we create it– added value by getting a new visibility.

Alliance by a consortium agreement in case of a EU-grant project. So we can work closely together and we have the advantage of a benefit in profit, even if [after the project] no close partnership develops for the business, but we share

R&D effort and both partners get the benefit of results and we share the results through e.g. common licenses.

All this corresponds to what we did pursue during the past 5 years.

Q3: You talked about advantages from this alliance; I would like to discuss about efforts to manage the alliance you have to invest to keep this alliance going on:

A: 07:43: It is more the effort to understand the goal or the aim of the partner. It is impossible to make a good success story if we do not have the understanding what our partner is looking for. On the other hand you have to discuss about the divorce, just for the event the divorce may happen. The effort when we start an alliance is to understand the goal developed by the partner, and to make sure that this goal is not by any means in conflict with your interest in short term – im not talking about a 10 years agreement. At this we are talking about SMEs and a few years agreement The aim is make sure that when we had made an alliance this needs resources from the company by different means – effort either of understanding or investment – the aim pursued by your partner will not be in conflict with your interest, before you are making an investment .

Q4: 9: 48: What is your experience with contracts between alliances? In particular complex contracts – so how do you see the effort to establish complex contracts (let say water prove contracts) in comparison to the size of the alliance?

A: The contract is mainly linked with the duration and the size of the investment. We may have an alliance with a partner – where the aim is to save cost. That means to share the booth [at the exhibition] for immediate action. We had long-term action for something that can be a case-by-case decision in that case based on a gentleman agreement.

Q5: 11:00: You had short term contracts in place?

A: In case of short term added value, since we are an SME, the agreement can be a gentleman agreement.

Q6: in other cases you had no contract at all?

A: I would say even if you work with a friend of with a partner for years, especially in this case you need a written agreement, just to avoid confusion. Very often when you believe this is your friend, you forget to go to details in the agreement which is the main cause of trouble. Especially when we had to create a partnership with a company which is a partner of yours for years, I go with written contracts, as soon as these correspond to something which is not a one-shot [in time] gain. There is obviously some difference when we make an agreement for some booth together for sharing marketing cost. The event is identified; there is a focus for the duration. In the situation when you want to invest, to make some test together, you want to make a lot of things together; in that case we had to go to write an agreement.

Q7: 13:00: This is not a frame agreement, which covers the collaboration for the next 10 years, but this is an agreement for a certain purpose within this alliance.

A: We had a collaboration for one product, serving the interest of our company and directly or indirectly the interest of our alliance partner. For this collaboration we have one specific contract which has been established for many years. We have established an agreement for the way of doing this collaboration, the level of investment of both parties, and the way of getting the RoI which is the frame of the contract, established for many years.

Q8: So you are still focussing on a certain purpose.

A: That is true, because it is not a JV. We are not in that situation where there is one topic for which we have this alliance established. I can give you an example, so we have a strong link with research partner C, which is a big research institute, and so we have a contract between research partner C and our company for some common development which is another type of alliance in that case, because this is not an alliance between 2 SMEs, but between 1 SME and one big institute. In this case we have also written documents.

Q8: 15:10: TC: Establishing such rules & contracts – is that a significant cost in your case?

A: Yes, yes, For SMEs the cost is significant. But of course there is a big difference between very mature collaborations where you have to invest a lot including the investment for managing the agreement. It is always depending of the volume of the agreement but also of the size of the partners. Including the investment for managing the agreement –it depends of the volume of the agreement, but it is also depending of the size of the partner, in fact with another small company it will be less expense compared to big institute.

Q10: 16:20: You say a big partner requires more complex contracts compared to a small partner!

A: That is true, but e.g. I see the impact in my business for some customer s far away from our company, having a contract with a big institute which has been known and identified as an expert in one field will definitely help our business, because we present is this demonstrative collaboration. This is not crucial, but as it might help the business, in a way of looking at it indirectly, we have the agreement with a big partner, which has an impact on the business for Amplitude. This has an impact - not totally linked to the content of the agreement of the content of the collaboration.

2) External expectations – market view

Q11: Let me look from a different PoV from the Market view: When considering such an alliances, how do you measure the improvement? How did you market share, your visibility, your customer base, brand image and so on improve?

A: There will be a big difference for e.g. selling cost for a booth, image, marketing and so on and the impact by making a co-development – either of a patent or a e.g.: new technique. The impact concerning everything which is short term like sharing a booth there would be a 1st reaction for the customers – positive or negative – so we tried to have it positive in our cases the impact sometimes is very good and some times it is neutral – the image for the company will be always derived from the immediate reaction from the customers. This is one way and we try not to see more than this.

When we have a co-development of something new, it is purely finance, where we have identified one technique to develop, we have then investment and we see the profit generated by itself. So this is purely the financial case.

We could say there is something which is not completely managed in terms of size of the impact, is when you have a technique, which is important, and this technique is included in a big system. You have co-developed this technique with your partner, providing a real advantage, considered as something important for the customer, but he is not the only one.

At the end, there had been a contribution of the new technique to the capability of the company to provide some specs, but since we have not only one performance, but in the weight of this performance in the decision of the customer it is difficult to know. As an example, the product M had been in use for getting special pulses for the system, but also for the success on a ultrahigh

energy-system after 1-1/2 years the main parameter considered as the key for customers has not been the parameter τ , if we would have achieved x instead of y , it would have been accepted, but the most important thing is the parameter C . Obviously the product M has a contribution in this parameter C , not very important but existing, this is the reason why in that case, we do not try to minimizing that aspect; we know there is an impact for the critical fact for our partner to get orders from us. It is clear you cannot compare our price of a ultra high energy system with the price of a component from our alliance partner even if this component is very important, intelligent and so on it is clear that the investment made by one company is an investment into the alliance.

3) Critical success factors

Q12: Communication: Did you share confident, technical information with your alliance partner and did you also receive such information?

A: 24:00: in the case of hi-tech we had to share and to protect such information provided by us and by the partner by e.g. an NDA, we need to know in advance which type of information could be spread everywhere, so it means we have to exchange information. There is a flux of technical and technological information, as soon as we are obliged by technology that we have to go deeply into technology, the level of commitment must be [controlled] very intense with a big attention.

Q13: Did you exchange personnel / co-workers with your alliance partner?

A: Yes, it is not really an exchange, because the employees remained at the same company – but the employees visited other sites frequently. It can be an experiment at one place.

Q14: Did you have experience with alliance partners who were former rivals?

A: Yes with company T: When we were a small company we were not considered as a competitor, just because the creation of the company has been based on development techniques that the previous management of company T considered as not the right one and not interesting. We focussed on thing which company T did not believe that they are important.

The first type of the relationship between the companies was zero, because we were not in the same field. The there was a 2nd step where they have seen that we get some success, and the management [’s opinion] has been changed over time, the new management has seen that we get a part of the business, which was not that small, so they tried to go back to the business without success. Then the same management tried to see if an alliance could be possible. I was open (lets try and see) we had not signed the agreement – in the 1st time it was more an agreement based on business – making some deals together, just to make sure that we were able to understand each other, and to see if it was really strong and to demonstrate to go ahead with the alliance and my partner broke the alliance without telling me. We had discovered the situation by our customers and we saw that our partner was not a good one, so the relationship stopped from one day to the other. So it was a failure because we had not been able to find the right way and then we were 2 competitors again.

Q15: Did you have contracts in place at that time or was this just in the time of preparation?

A: It was during the time of preparation – it was a long time of preparation, we had in mind to see through the business, if we would be able to work together, in

fact have not even been able to do that, I would say at least technicians had been able to work together (30:00) but the situation has been broken by the management.

Q16: legally seen there was no breach of contract, but basically trust was gone.

A: this was the case. There was no way to conclude anything and to go ahead with the agreement.

Q17: So we are talking about alliances between 2 SMES, but now you also talked about your experience for an alliance between a SME and company T, do you consider company T as a major company?

A: No, it is considered as an SME, because the decision has been triggered by people working within company T's division, and no influence by the group.

Q18: Can you tell me a little bit about personal contacts and site visits to keep such an alliance successful? How important are personal contacts, phone calls and also visits?

A: I would say that I strongly believe in mentality, my vision of a partnership is mainly based on psychology, but I do believe that in the normal lift that you can break and build a partnership easily without spending a lot of time together, just because there is something between the main person and you. It means that it is important for the persons who have to decide.

Q19: There is on the one hand between person-person – chemistry thing, how would you describe it between your company and the partner company – what are the important things here from your PoV?

A: 32:40: The 1st thing is to have the management being able to talk together and to appreciate them to get a good feeling and obviously we have to organize the alliance and then we have to go through meetings preparations description of the content, establishment of the background and the foreground and all these things are absolutely mandatory, so as I said before, the identification of cause of divorce, so we need to talk once again in all these preparation you can talk about what you have in mind to do, you have to talk about the goals for both, to identify the benefit for the others, and your partner must understand you – there is no place for anything bad on the short term.

Q20: How would you describe the company, what products they have, what capabilities they have, so how far do you see that it is important that your goals are complementary to your partner's goals or capabilities? How should companies be similar or how should they differ?

A: 34:25: We need to know where the companies will develop from the alliance. Just to identify it can be complementary, parallel, and influential; at least you need to identify any [potential] conflict of interest over time. This is the only thing in my mind do, to verify and what you need to understand: the strategy of the partner, which is behind and we have not to "hide any copy" or "to hide your own book" a French expression - you have to explain where you have to go. The NDA or the memorandum of understanding is a good way for preparing the future. This is basically the frame.

To be different if we talk e.g. with a partner which is not an SME, but e.g. in our case it is research center C, but obviously interests are very different. We are not only talking about different aims, but also about the understanding. In that case obviously we talk about this, anything we can do, which is in favour of your own

business can be understood completely unacceptable by the other partner. We need more time to think about it.

Q21: But you have no competition on the market side.

A: This is absolutely true.

Q22: 36:30: There is also an important point to exclude all potential conflicts on the market side – basically the problems you had with company T. So you can either design a complex contract or you look at a partner and you say there will always be a potential conflict because of the market overlap

A: Yes that was the case with Company T. The root of the agreement has been established by Company T at the 1st time, with a firm commitment at the beginning that the separation of the business was testified and in principle this could have led to a business without any conflict. The problem has appeared, when the partner company T decided to stop this commitment, because what they proposed the 1st time had been inconsistent by some people inside the company and considered to be not a good strategy. May be there were right, there is no comment about the decision, but they have changed their mind. Obviously with the written agreement in place, we would have ended on court.

Q23: On the other hand, with a written agreement with an alliance partner, you cannot foresee all eventualities for the next 10 – 15 years. You have to sit down from time to time and to modify the agreement.

A: This is the reason why, when you have a written agreement and you breach this agreement, either you can find a fair solution or you go in front of the court. There is only one alternative, 2 choices, either you find a way or you don't and you go to court and let the judge decide for you. When you have a written agreement, obviously you have an alliance; all the alliances signed with partners have a limited duration. If anything will be changed, it has to be noted in writing and signed in an agreement as well – an additional document.

Q24: Have you done this practice in the past?

A: Yes, in all cases, in NDAs, collaborations, ownership of patents, etc. in all cases we have a duration which is fixed from the beginning. It can be modified by mutual agreement. But we started something which is determined and restricted in time.

Q25: 40:37 It is normal that you have conflicts within an alliance. How would you solve such conflicts on a short-, medium- and long term time scale?

A: I would say "conflict" is too much for me, we don't have always conflicts, but you can disagree with your partner, because the level of results can be considered very good for one and not so good for the other one, up to now we had been able to find ways. At least we are not a good example, we have not been in trouble for any agreements signed up to now.

Q26: Do you have a mechanism in place where you communicate with your partner in case you have the feeling that a conflict might appear, just to avoid bigger conflicts? Is there a secret you can tell me how to avoid such conflicts?

A: The best way is during the preparation of the agreement to try to identify the [potential] cause of divorce. I give a lecture at an engineering school, and I tell them in case you found a company with friends and colleagues, to identify the

situation in case of divorce. This is the best way to avoid it. When you are young guy and you want to develop your own company, you are very ambitious, and you have in mind that everything will be successful, you see only success and I have a list of situations for which I had to solve the situation for friends. Especially when a company had been founded by 2 friends, it can be a disaster, because in principle people do not believe that there might be a problem in the future. In case nothing has been prepared, there is not way to solve the situation in case of divorce and the company is lost. I know a story where 2 friends started a company who were friends for 25 years and it had been a disaster only 2 years after founding the company. In my case I try to identify first where could be the problem and in case of [it occurs] how would I treat it.

Q27: Do you have a partner where you run multiple projects in order to strengthening the alliance with one single partner?

A: It is a matter of dependency. If you are in the position to develop many topics with one partner, you have to consider the weight of the dependency you have with this partner. It is mainly the weight of dependency which does trigger the decision to go ahead or to stop. In case of our alliance partner, because of the business we have done with them, they are almost dependent of our business. In this case [the partnership with] our company is strengthened, but it can be a thread for the smaller partner. We have to anticipate such a situation; otherwise we have to go to a much stronger alliance as it is the case [at the moment]. Currently it is based on co-development only, it can be extended to exchange of equity. As soon as you see that the impact of the alliance is so big in your business that you have strong dependency of you activity from this alliance, you need to make a step. It can be strategic, [based on] volume. From this PoV, the attitude of a small company is not different fro the one of a big company. When big companies see that small companies are developing things faster; which is then successful in terms of business, they buy the small company.

4) Final results

Q28: What do you see the most CSF for such an alliance?

A: Probably the added value which has to be real and crucial, you need to have success and you nee to have control over the success. In fact you need to manage your own destiny.

Q29: What is your insight, what have you learned from past or ongoing alliances?

A: First of all each experience is valuable. Good and bad experience. Even the one with company T did have no real [bad] consequence for the company. As soon as the alliance is bigger in terms of impact, the higher is the precautions you have to take to be able manage it. The effort to handle – by practical demonstration [experience] what I have faced during the last 8 years, the common sense to say the alliance is very important for you, you have to spend effort and time since it is the main root of your own strategy. 53:27. The level of the dependency of your own business will trigger the level of effort you will have to consider, the investment you have to do for keeping the strategic alliance as good as possible.

Q30: I would like to enter an alliance with another company and you would give me an advice: Andreas when you enter an alliance please think about this or that – what would that advice be?

A: Spend time for the preparation to identify the cause of divorce
Thank you very much for your clear answer and the entire interview!

Interview 5

Date: May 4, 2009
Time at destination: 6 p.m.
Interviewer: AST
Interview-partner code: I5
Interview-partner position: CFO
Duration: 40'
Situation: Phone-call
Atmosphere: at home

Statistics:
Company code: S3
Year of establishment: 1992
Sector: Electronics equipment
Revenue: EUR 7m
Employees: 45
Location: German Speaking Europe

1) Interne Erwartungen – strategische Motivation

Q1: Was erwarten Sie wenn Sie in eine Allianz hineingehen fuer Ihr Unternehmen aus dem Blickwinkel der Wirtschaftlichkeit:

A: Ich erwarte dass ich mit Hilfe dieses Unternehmens mit dem ich in eine Allianz trete meine eigene Position deutlich verbessern kann und das geht in der Regel nur so, dass letztlich beide Unternehmen in eine bessere Position kommen als vorher.

Q2: Welche Aktionen sehen Sie als notwendig an, um so eine Allianz erfolgreich zu gestalten?

A: Man muss zuerst seine eigenen Interessen fokussieren. Man muss wissen was man im Grunde will und letztlich auch feststellen wo es im eigenen Unternehmen fehlt und was im Grunde nötig wäre. Dann muss man sich einen Partner suchen der im Grunde genommen das Komplement bildet, der einen selber oder dem eigenen Unternehmen weiterhelfen kann und natürlich muss man das auch so gestalten, dass der Partner ein großes Interesse hat an der Zusammenarbeit.

Q3: Gestalten bedeutet, man muss schon etwas dafür tun dass auch der Partner aktiv mitarbeitet. Man muss so zusagen immer daran arbeiten.

A: Das Problem bei so einem kleinen Unternehmen wie wir, wir hatten zunächst eigentlich nicht viel in der Hand außer unsere eigene Kompetenz aber damit können wir uns sehr interessant machen für ein anderes Unternehmen.

Q4: Wenn Sie strategische Ziele der Allianz beschreiben würden wie z.B.: Kostenersparnis oder was ist es bei Ihnen?

A: Es ist nicht nur Kostenersparnis. Mir persönlich geht es auch darum dass man als kleines Unternehmen das auf der ganzen Welt aktiv ist, mit dieser Allianz letztlich schneller und einfacher voranbringt, als wenn man es alleine versucht.

Q5: Also „Time-to market“ – Zeitersparnis

A: Eine zweite Sache, die nicht ganz einfach ist: wir haben komplexe Produkten, die wir nur schwer alleine weltweit vertreiben könnten. Insbesondere im Ausland profitieren wir von der Reputation des Allianzpartners.

Q6: Ist das immer noch so, ich denke Sie haben sich mittlerweile einen Namen gemacht?

A: Wir haben selber eine Reputation, aber das hilft immer noch.

Q7: Je weiter man von Europa weggeht?

A: Je weiter man von Mitteleuropa weggeht, In Mitteleuropa sind wir mittlerweile gut eingeführt. Meistens noch in den USA, aber auch noch in Asien spielt das eine wichtige Rolle.

Q8: Um so eine Allianz am Leben zu halten muss man etwas tun. Was Sehen Sie dabei als wichtige Punkte – ich werfe z.B.: Kommunikation auf.

A: Sehr wichtig!

Q9: Gehe Sie da aktiv vor bzw. können sie anhand einer Situation erklären was Sie tun?

A: Die Kommunikation ist das A&O. Man muss das aktiv betreiben und ich kann nur sagen, dass wir z. B. regelmäßige Telefonkonferenzen eingeführt haben um dort verschiedene Probleme und Sachverhalte zeitnah zu besprechen. Man sollte auf Kontinuität achten, d.h. die Dinge nicht schleifen lassen und wenn notwendig auch penetrant sein. Es macht Sinn die Partnerposition im Blick zu behalten, also ein wenig für ihn mitdenken. Es fällt dann leichter neue, interessante Dinge anzubieten. Wir versuchen auch immer das herauszuarbeiten was für die anderen Seite interessant ist um zu motivieren und die gewollte Zusammenarbeit auszubauen.

Q10: Sie baue eine Allianz als etwas Langfristiges auf; nicht für 1 Projekt und dann suchen Sie einen neuen Partner, sondern Sie wollen immer Kontinuität mit neuen Projekten in die Allianz einbringen?

A: 6:49: Also Wir haben eine in jedem Fall auf Langfristigkeit ausgelegte Allianz, den anderwärtig macht das in diesem aufwändigen Geschäft wenig Sinn.

Q11: Ad Aufwand: Kosten die entstehen dadurch dass man z.B.: erst einmal einen Vertrag aufsetzen muss. Ist das bei Ihnen ein Thema, betreiben Sie das intensiv, haben Sie enge Verträge, haben Sie Rahmenverträge, Verträge die ein bestimmtes Produkt betreffen, wie sehen Sie den Aufwand für solche Verträge in Relation zur gesamten Allianz?

A: 8:00: Da gibt es gute und schlechte Beispiele, wir sind durch alles durch. Wir hatten sehr aufwändig gestaltete Verträge - auch finanziell sehr aufwändig, Internationale Kanzleien haben uns da geholfen - und ich muss sagen, es war viel Aktion um nichts. Das ist die eine Seite, die andere Seite hatten wir auch, das wir jahrelang mit einer Firma zusammenarbeiten und Millionenumsätze gemeinsam gestalten, nur mit einem ganz schlichten Rahmenvertrag. Es gibt also beide Seiten und aus jetziger Sicht muss ich sagen, wenn man versucht ein vertrauensvolles Verhältnis zu bestimmten Leuten und Firmen aufzubauen, ist es manchmal nicht so notwendig, die vertragliche Seite hervorzuheben. Ich persönlich mag das lieber so. Der Aufwand der hinter einem guten internationalen

Vertrag steht ist enorm! Manchmal ist es nötig und vernünftig. Aber wenn man eine Zusammenarbeit einfacher gestalten kann sollte man es tun. Es gibt natürlich kein Rezept. Jeder Fall ist anders. Wir versuchen Win-Win-Situationen zu formulieren, die dann vertragsrechtlich einfach zu gestalten sind.

Q12: Also es ist nicht Ihr Ziel hier aufwändige Verträge zu formulieren, sonder Sie versuchen eher auf der persönlichen Seite zusammenzuarbeiten und aktiv an der Allianz zu arbeiten, sodass nun hier nichts passiert.

A: Ja so ist es. Wen man mit Firmen zusammenarbeitet, die das [aufwändige Verträge] wollen und darauf bestehen solche Verträge abzuschließen, dann hat man dort i. d. R. auch mit teuren Kanzleien zu tun, die –auch wenn es um kleine Umsätze geht – erhebliche Bezüge für das Aufsetzen von Verträgen erhalten.

Q13: Besonders bei KMUs ist es interessant: Wie groß sind die Kosten die man aufwendet, im Relation zum Geschäft. Das [Verhältnis] ist bei KMUs immer schlechter als bei großen Unternehmen, insbesondere wenn man nun versucht sehr genaue und komplexe Verträge zu erstellen, da bei großen Unternehmen die Geschäftsvolumina größer sind.

2) Externe Erwartungen – Marktsicht

Q14: 11:30:: Art der Allianz: Integrative Allianz – Sie sind Zulieferer für Ihren Partner

A: Ja

Q15: Konnten Sie Ihren Marktanteil durch die Allianz erhöhen?

A: Ja, selbstverständlich. Besonders in den ersten Phasen, bei bestimmten Produktgruppen dominieren wir inzwischen den Markt sogar, an anderer Stelle haben wir unsere Marktnische selber erfunden.

Q16: Hilft Ihnen die Allianz bei den Ausgaben für das Marketing? – Konnten Die Marketingausgaben reduzieren?

A: Ja auf jeden Fall – Was angenehm ist, unsere Anstrengungen in Richtung Marketing sind natürlich vergleichsweise begrenzt und natürlich nicht so professionell wie bei einem großen Unternehmen das da viel mehr Erfahrungen hat und seit längerer Zeit am Markt ist, Büros weltweit besitzt, etc.. Da können wir wahrscheinlich kaum gehalten, das hat uns sehr geholfen.

Q17: Konnten sie ihre Sichtbarkeit am Markt verbessern?

A: Das ist ein interessantes Thema. Wir wollten natürlich auf der einen Seite einen Zusammenarbeit – diese Allianz – haben, und wir sind natürlich beriet als OEM-Partner hier an manchen Stellen zurückzutreten was die Visibilität anbetrifft. Auf der anderen Seite haben wir mit unserem Partner z.B.: eine Doppelbenamung der Geräte vereinbart.

Q18: Also es ist immer der Trade off zwischen: Wie kann ich meine Marke ausbauen und wann wird sie behindert durch die Allianz?

A: Das war ein Punkt, da gab es durchaus Reibereien, natürlich wollte die andere Seite so etwas nicht, aber wir konnten einen Kompromiss finden.

Q19: Haben sie diesen [Kompromiss] aus Ihrer Warte zufriedenstellen lösen können?

A: Wir sind ganz zufrieden, weil in den meisten Produkten – auch wenn sie durch andere vertrieben werden unser Unternehmen/Marke sichtbar wird– der interessierte Nutzer erkennt den Ursprung auch bei den „reinen“ OEMs. Das stärkt die Reputation.

Q20: Also Sie sind schon so groß, auch wenn nicht Ihr Name drauf steht weiß man dass es von Ihnen kommt?

A: Es gibt gewisse Erkennungsmerkmale

Q21: Ihren Kundenstock konnten sie [durch die Allianz] erhöhen?

A: Ja

Q22: Die „Pipeline“ die Grundauslastung durch vorbestellte Systeme hat sich dadurch positiv entwickelt?

A: Ja natürlich. Generell konnten wir unsere Umsätze deutlich erhöhen. Auch sind die langfristigen Produktionsplanungen einfacher. Die Absatzzahlen sind stabiler

Q23: Ihre Marke an sich haben Sie dadurch verbessern können? Das Image leidet nicht darunter dass es irgendwo versteckt wird, sie konnten auch Ihre Marke ausbauen?

A: 16:00: Ja, ich denke schon. Möglicherweise hätte man das noch aktiver betreiben können, da bin ich jetzt nicht so sicher, aber gelitten hat es auf keinen Fall. Vor allem die Zusammenarbeit mit einem potenten Partner über viele Jahre sagt ja ach alleine etwas aus. Unser Logo ist i. d. R. genauso groß wie das des Allianzpartners auf den Geräten, damit kann man zufrieden sein

3) Erfolgsfaktoren

Q24: 16:45 Kommunikation: Haben Sie im Rahmen der Allianz Informationen weitergeben oder erhalten um die Ziele der Zusammenarbeit zu erreichen?

A: Ja, in einem gewissen Maße ist das notwendig, aber sicherlich nicht vollständig. Wir geben nicht alles weg – auch innerhalb der Allianz. Auf der anderen Seite bekommen wir in der Regel alle Informationen die notwendig sind um unsere Systemkomponenten vernünftig zu konfigurieren. Darüber hinaus gehende Details interessieren uns gar nicht und die andere Seite eigentlich auch nicht. Allerdings gibt es schon Vereinbarungen, dass es z.B.: in Krisenfällen zu einem umfangreichen Austausch kommt.

Q25: Haben Sie Personal ausgetauscht, ist ein Mitarbeiter von Ihnen zu Ihrem Partner gegangen bzw. ist jemand von Ihrem Partner für eine gewisse Zeit bei Ihnen gewesen?

A: Ja, das haben wir beidseitig gemacht. Sowohl unsere Leute sind hingefahren und waren für einige Zeit dort als auch umgekehrt. Mit so einem Personalaustausch und den damit einhergehenden Unterweisungen ist man sehr gut in der Lage Wissen über die Projekte/Geräte zu vermitteln.

Q26: Und das ist unbedingt notwendig – wie wichtig sehen Sie das?

A: Letztlich geht es darum, die vielen kleinen und großen Stolpersteine die auf dem Weg liegen um ein Projekt zu einem guten Ende zu bekommen, wegzuräumen. Dazu ist es häufig das einfachste wenn man mit den

entsprechenden Leuten direkt im Kontakt ist. Die Kollegen lernen in wenigen Tagen häufig mehr, als wenn man das auf andere Weise organisiert. Ich finde das eine gute Idee, man muss nur überlegen wie weit man den Kollegen von den anderen Firmen, die dann in das Unternehmen reinschauen [Einblick gewährt] Kleine Einschränkungen der „Bewegungsfreiheit“ werden akzeptiert. Im Grunde geht es darum: beide Seite wollen das Projekt voranbringen, da geht man schon auf den anderen ein.

Es gibt natürlich auch Probleme. Zum Beispiel kann eine Kommunikationsschiene durch häufigen Personalwechsel gestört werden. Auch funktioniert es mit dem einen besser als mit den anderem.... Wenn sie neue Leute immer wieder in laufende Projekte einführen müssen, kann das manchmal anstrengend und auch nervend sein. Aber alles in allem, über Jahre gesehen, läuft es ganz schön.

Q27: Motivationen um die Allianz aufrecht zu erhalten? Sie sind der Zulieferer für Ihren Partner. Ist es seine Motivation möglichst viele Kombinationen seiner Produkte zu verkaufen und zieht Sie automatisch mit? Oder gibt es da noch andere Motivationen? Was ist das Modell dahinter?

A: Die Allianz hat immer einen klaren finanziellen Aspekt. Beide Seiten wünschen den wirtschaftlichen Erfolg! Alles andere ist i. d. R. Illusion. Man muss mit dieser Zusammenarbeit das Ziel erreichen, dass nicht nur wir sondern auch der Partner besser verkauft. 1.) Unser Produkt als add-on erweitert das ursprüngliches System des Partners 2.) Dieses erweiterte System ist dann ein Produkt, womit man neue und interessantere Sachen machen kann. Das schafft neue Interessenten führt letztlich zu einer Erweiterung der Marktbasis.,

Q28: Die Größenverhältnisse der Unternehmen

A: Wir sind ein KMU während unser Partner ein Großunternehmen ist.

Q29: Ist noch ein Partner an dieser Allianz beteiligt?

A: Nein, in dieser konkreten nicht

Q30: Wie wichtigen sehen Sie den persönlichen Kontakt oder gegenseitige Besuche um sich auszutauschen, z.B.: um neue Möglichkeiten vorzustellen?

A: Ich schätze diesen [Kontakt] sehr hoch ein. Wir sind auch noch Wissenschaftler. Auch die Leute die mit uns zusammenarbeiten, die Systeme entwerfen, haben neben dem kommerziellen Interesse immer noch so ein Bisschen „Restenthusiasmus“ für die Wissenschaft. Das heißt man kann sich auch gemeinsam freuen und da entsteht fast eine persönliche Verbindung zu dem einen oder anderen. Damit arbeitet es sich natürlich viel leichter, unter solchen Voraussetzungen ist man i. d. R. auch erfolgreicher.

Q31: Haben Sie da auch schon Rückschläge erlebt, wenn plötzlich Personal gewechselt hat?

A: Ja, das ist der Nachteil von so einer Geschichte, wenn man eine vertrauensvolle Zusammenarbeit aufgebaut hat, wenn die Personen dann wechseln ist das natürlich schwierig. Das muss man aber wissen, d.h. man darf sich da auch nicht zu sehr auf zu wenige Personen konzentrieren. Das haben wir inzwischen gelernt. Mittlerweile kennen wir auch schon viele Leute, da trifft uns das nicht mehr so. Aber früher gerade in der frühen Phase, da hatte man immer so einen Strohhalm in Form von ein zwei Personen...an denen viel gehangen hat,

das war dann besonders kritisch. Wenn die Zusammenarbeit etabliert ist, ist das weniger kritisch.

Q32: Wie würden Sie den idealen Partner beschreiben in punkto seiner Fähigkeiten und Ziele?

A: 25:00: Der ideale Partner ist jener, der vom Denkansatz (Firmenphilosophie) - möglichst ähnlich denkt. Der die Beobachtung des Marktes ähnlich interpretiert, der dann die fehlend Leistung liefern kann für etwas Neues. Also Dinge kann die wir nicht können, oder wo wir uns nicht engagieren wollen. Ein Partner der ergänzt und mit dessen Hilfe Produkte auf den Markt kommen können, die man alleine nicht entwickeln oder produzieren kann. Oder der auf andere Weise (z.B. Marketing) die eigenen, beschränkten Möglichkeiten ergänzt.

Q33: Also komplementäre Fähigkeiten zu Ihrem Unternehmen und ähnliche Ziele

Q34: Potentieller Konflikt mit einen Partner: Wie haben Sie versucht solch potentielle Konflikte in den Griff zu bekommen. Ich kommen wieder auf Verträge zurück: Sie sagten, sie haben Erfahrung mit sehr komplexen Verträgen gemacht. Rahmenvertrag vs. Komplexes Vertragswerk. Sie sind jetzt eher auf der Seite des Rahmenvertrages mit einem lockern Rahmen, der eine kontinuierliche Adaption ermöglicht?

A: Zum einen scheuen wir ein den Aufwand, den man bei der Formulierung eines Vertrages auf sich nehmen muss. Das andere ist, dass diese Verträge vom Leben schnell überholt werden. Es gibt Partner, die wollen alles sehr genau sehr präzise regeln. Das kostet Zeit, Nerven und Geld und trotzdem kann man nicht alles regeln! Da kommt man dann schnell wieder zu einfachen pragmatischen Absprachen, unabhängig von dem Vertrag. So dass der Vertrag im Endeffekt mühsam erarbeitet wurde aber nicht wirklich die Linie ist nach der sich etwas richtet. Unsere Flexibilität gestattet uns schnell auf sich ändernde Marktsituationen einzugehen. „Vertraglich“ würde man da kaum hinterherkommen Wenn wir präzisen Verträge kurzfristig updaten müssten, wäre das ein hoher Aufwand, der nicht gerechtfertigt wäre.

Deswegen sind wir nun zu der Variante übergegangen, dass wir bei quasi Standardprodukten alle wichtigen Dinge vereinbart haben (Ohne Rechtsanwälte). Also es gibt Artikelnummern Preise, Lieferumfang, mögliche Optionen ,Zahlungsziele und andere wichtige Dinge. Während insbesondere frühe, neue Projekte pragmatisch case by case gehandhabt und manchmal noch gar keinen Vertrag (außer ein paar Absprachen) als Grundlage besitzen.

Q35: D.h.: Vertrauen ist eine wichtige Basis für Ihre Zusammenarbeit innerhalb der Allianz?

A: 28:23: Ja, in unserem Markt in dem wir tätig sind ist es so.

Q36: Vertrauen ist wichtiger als ins Detail ausformulierte Verträge?

A: Ja, aber das würde auch in keinem Fall das Vertrauen ersetzen.

Q37: Ihr Kunde ist auch mit dieser Form zufrieden? Es hängt ja auch für ihn etwas davon ab – ob sie jetzt etwas liefern können bedeutet ja auch dass er liefern kann und umgekehrt?

A: Ja, wenn man über so viele Jahre zusammenarbeitet, Konflikte auch gemeinsam durchgestanden hat, dann kann man sich auf eine gewisse Arbeitsweise verlassen.

Q38: Also diese Vertrauensbasis geht in beide Richtungen, obwohl die Firmenstrukturen doch sehr unterschiedlich sind?

A: Ja, das funktioniert im Großen und Ganzen gut.

Q39: Spezialisierung: Konnten sie sich weitere auf Ihr Spezialgebiet vertiefen durch die Allianz und haben Sie Bereiche nicht weiterentwickelt? Wie sehen Sie Ihre Position als Spezialisiertes Unternehmen? Überwiegen die Vor- oder Nachteile?

A: Ich denke wir sind immer noch ein Unternehmen das relativ breit aufgestellt ist, vergleichen mit Umsatz und Beschäftigtenzahlen. Ich würde sagen, das hat auf der einen Seite zu der zunehmenden Spezialisierung geführt, das lag aber auch in unserem Interesse.. Es führte zu einer hohen Spezialisierung, aber auch zu einer hohen Kompetenz.

Q40: Zeithorizont: Quartalsziele vs. Langfristige Ziele – wo sehen Sie den Schwerpunkt in Ihrer Allianz?

A: Der Druck an der Stelle kommt vom Partner. Der steht viel mehr unter Druck bestimmte Zahlen zu erreichen als wir und wir helfen ihm dabei. Uns fällt es nicht besonders schwer die Vorstellungen von ihm zu entsprechen. Wir selber sind nicht so in den Quartalsrhythmus eingepasst, wir machen das etwas lockerer. Unsere Möglichkeit sehr schnell auf die Wünsche (Lieferzeiten verkürzen, Spezialoptionen) des Partners einzugehen wird sehr geschätzt und leider auch zu oft genutzt.

Q41: Verstärkung der Allianz: Sie können eine Allianz um ein bestimmtes Projekt bauen oder mehrer – wie gestaltet sich das bei Ihnen?

A: Es gibt eine ganze Reihe von Projekten, natürlich mit unterschiedlichem Umfang.

Q42. Sehen Sie das als etwas was die Allianz stärkt, wenn man jetzt nicht nur ein einziges Projekt in der Allianz hat?

A: Wenn man die Allianz will und sie stärken kann, dann sollte man das tun. Als kleines Unternehmen muss man natürlich wissen ob man dabei Stück Eigenständigkeit an das große Unternehmen verliert. Man muss das mit den eigenen Unternehmenszielen abstimmen. Bleibt genug Freiraum für eigene Ziele? Wir waren und sind erfolgreich in dieser Allianz und in unserem Fall sehen wir, dass der kleine und die große Partner sich gut ergänzen. Wir sind auf der einen Seite Zulieferer – klassischer OEM- Auf der andern Seite sind wir mit unserem kreativen und fertigungstechnischem Potential eine wichtige Bereicherung des Partners. In der KFZ Branche nennt man so etwas auch „Tuning-Bude“ Wenn Spezialwünsche von Kunden kommen, die ein großes Unternehmen i. d. R. nicht (kurzfristig) erfüllen kann, treten wir auf den Plan. Wir kennen uns im Partner-Produktportfolio gut aus. Das heißt Produkthanpassung, Systemerweiterungen neue Produkte entstehen bei uns auf eine Weise wie sie der Partner zur Zeit nicht realisieren könnte. Das schafft Selbstvertrauen und Wertschätzung und es macht Spaß!

4) Zusammenfassung

Q43: Welcher ist der wichtigste Erfolgsfaktor aus Ihrer Sicht?

A: Das allerwichtigste muss die Motivation sein. Man sollte die Allianz so aufstellen, dass der Profit oder Gewinn möglichst verteilt ist. D.h.: beide Seite haben Interesse daran diese Allianz voranzubringen. Dann ergibt sich alle andere. Dann muss man sich noch die richtigen Leute suchen mit denen man gut kann, dann findet sich der Rest.

Q44: Es ist also nicht so sehr das was Sie während der Allianz tun, sondern bei Ihnen liegt der Schlüssel in der Auswahl des Allianzpartners?

A: Der Allianzpartner und des Zieles. Dieses Ziel muss für beide sehr interessant sein. Das muss jetzt nicht nur vordergründig die Erhöhung des Umsatzes sein, das kann auch Ausbau des Markets sein, es kann alles Mögliche sein, aber es muss ein dringlicher Wunsch auf beide Seiten sein. Es ist schwierig jemanden davon zu überzeugen etwas zu tun, wenn er sich wenig davon verspricht.

Q45: Was war für Sie die wichtigste Lehre, die Sie aus der Arbeit in der Allianz gezogen haben?

A: 37:17: Man sollte seine kurzfristigen Hoffnungen/Ziele nicht zu hoch ansetzen und auch lernen, die Allianzen aus den Partneraugen zu sehen. Wir haben gelernt etwas geduldiger und nachsichtiger mit den „Großen“ umzugehen, weil die Prozesse, die in diesen Unternehmen ablaufen deutlich langsamer und für uns manchmal auch nicht verständlich sind. Auf der anderen Seite hat man natürlich, wenn der Prozess einmal im Gange ist, den großen Vorteil dass es dann wirklich läuft. Diese Form von Trägheit ist dann für uns sehr angenehm. Es kommt zu einer gleichmäßigeren Auslastung der Produktionslinien, die Bestellungen sind höher und kontinuierlicher. Man langfristiger planen,... das kennt man sonst bei KMUs i. d. R. nicht. Die Zusammenarbeit mit einem erfahrenen und leistungsstarken Partner erleichtert auch das überstehen von schwierigen Marktsituationen.

[Es besteht natürlich die Gefahr des Rückwärtsintegration unseres Partners nach dem Motto] Jetzt habt ihr ein schönes Produkt hier, aber eigentlich könnten wir das auch selber machen. Dafür müssen wir auch gute Gründe auf den Tisch legen, dass es dann nicht dazu kommt.

Bei uns ist die Allianz sehr wichtig, aber wir würden nicht zu Grunde gehen, wenn sie nicht mehr da ist. Die Selbständigkeit des Unternehmens ist uns im Moment sehr wichtig Der Partner weis das!

Auch wenn wir uns das mal anders überlegen könnten ist das eine gute, starke Ausgangssituation

Q46: ein Rat für mich?

A: Sehen Sie das Projekt auch durch die Augen des Partners und überprüfen sie ihren eigenen Nutzen/Aufwandsverhältnis in einer Allianz

Vielen Dank für das ausführliche Interview, schönen Abend

Interview 6

Date: May 6, 2009
Time at destination: 3 p.m.
Interviewer: AST
Interview-partner code: I6
Interview-partner position: CEO & CTO
Duration: 40'
Situation: Phone-call
Atmosphere: at office

Statistics:

Company code: S2
Year of establishment: 1992
Sector: Electronics equipment
Revenue: EUR 7m
Employees: 45
Location: German-speaking Europe

1) Interne Erwartungen – strategische Motivation

Q1: Wie definieren Sie eine erfolgreiche Allianz:

A: Zusammenarbeit zum gegenseitigen Nutzen. Fuer uns als SME geht es um den Verkauf durch den anderen Allianzpartner

Q2: Welche Aktionen sehen Sie als notwendig an um eine Allianz als notwendig zu gestalten: Aufbau und laufende Aktionen?

A: Vertrauen aufbauen oder schaffen. Fuer beide Partner ist es Neuland; im gegenseitigen Nutzen gibt es auch eine gegenseitige Abhängigkeit.

Q3: Sie setzen etwas ein um die Allianz am Laufen zu halten – wie sehen Sie die Anstrengungen/Aufwendungen auf der einen Seite im Verhältnis zu Ergebnis aus der Allianz – sehen Sie das als ausgewogen / Mühsam oder als vorteilhaft an?

A: Die Aufwendungen sind Entwicklungseinsätze unsererseits, die unterbezahlt oder gar nicht bezahlt sind. Es handelt sich dabei nicht um bezahlte Entwicklungen, sonder um eine Vorinvestition für einen zukünftigen Markt ausgelegt ist. Die andere Seite muss in das Marketing investieren, das wir als Hersteller nicht bezahlen.

Q4: Es gibt auch Dinge, die Sie nicht machen müssten wenn Sie keine Allianz hätten und alles im eigenen Haus machen würden. Zu solchen Anstrengungen fallen z.B.: Verträge, Kommunikation die mit dem Partner notwendig ist.

A: Wir haben offene Partner, die fast freundschaftliche Beziehung pflegen. Die Formalismen sind in unserer Allianz gering. Vor allem was Verträge betrifft sind wir in der Lage vieles über mündliche oder kleine Absprachen zu realisieren und den Aufwand der Kommunikation habe ich immer auch wenn ich es selber verkaufe, dann habe ich diesen mit den Kunden.

2) Externe Erwartungen – Marktsicht

Q5: Wie sehen Sie die wichtigsten Veränderungen, die durch die Allianz ermöglicht wurden in Bezug auf Markt, Marktanteil, Marketingausgaben.

A: 7:30: Wenn wir diese Allianz nicht hätten und keine Alternative dazu, hätten wir bei weitem nicht die Größe und den Marktanteil den wir jetzt haben. Wir konnten dadurch rascher wachsen als wenn wir alles alleine gemacht hätten. Ich würde vermuten, wir hätten eine ganze Produktschiene jetzt nicht oder in nur ganz kleinem Masse in Europa. Darüber hinaus hätten wir auch die Weiterentwicklung nicht, denn letzten Endes ist der Verkauf eines Produktes dafür verantwortlich dass ich dann Folgeprodukte und Modifikation entwickeln kann. Das wäre alles nicht vorhanden ohne die Allianz.

Q6: Die Impulse etwas Neues zu entwickeln – kamen die eher vom Allianzpartner oder von Ihnen?

A: 9:00: Impulse kommen zum größten Teil durch den Kundenkontakt. Wir versuchen immer den Kundenkontakt aufrechtzuerhalten – auch zu den Kunden an die wir über die Allianz verkaufen - sei es durch die Messeauftritte, dass wir am Stand mit unserem Allianzpartner auftreten. Letztendlich sind es die Kunden, die die Anstöße geben (60 – 75%). Die restlichen 25-40% kommen daher, dass der Allianzpartner neue Geräte entwickelt, woraus sich neue Anforderungen, Wünsche und Lücken an die Produkte ergeben, wo wir wieder einsteigen können.

Q7: Sichtbarkeit: Wenn man einen starken Allianzpartner hat, tritt nach einer anfänglichen Euphorie womöglich ein Sättigungseffekt ein, da man dem Kunden gegenüber hinter den Allianzpartner gedrängt wird?

A: 10:34: Da sind wir immer fair behandelt worden und die Absprachen sind so, dass unser Name immer auf den Produkten mit auftaucht. Bis auf wenige Produkte – wir haben ein paar Produkte die wirklich reine OEM-Produkte sind, die dann unter einem fremden Label gelaufen sind das war dann von vorn herein so vereinbart – mit beiden Labels vermarktet. Nachdem wir diese Vertrauen hergestellt haben – Zuverlässigkeit in unserer Kapazität und Produktspezifikation - das geht weiter dass unser Label noch weiter nach vorne tritt. Dass wir eigene Gestaltungsvarianten einbringen, die dann vom Allianzpartner auch akzeptiert werden.

Q8: Glauben Sie dass ihr Allianzpartner von Ihrem Namen profitiert?

A: 11:45: So weit würde ich nicht gehen. Üblicherweise in bestimmten Verkaufsgebieten ja, wo wir auch mit anderen Produkten schon einen Namen haben.

Q9: Ich habe den Eindruck, dass Ihr Name in Europa im letzten Jahrzehnt mit dem Ihres Allianzpartners fast gleichwertig ist.

A: Danke fuer Ihre Einschätzung. Es ist schon dass das beim Produkt O immer wieder die Frage kommt – die Produkte O machen doch Sie? Obwohl das nicht draufsteht kommt immer wieder die vorsichtige Anfrage „das sind doch Ihre Produkte“. Bei anderen Produkten – die ja wirklich unsere Produkte sind sehen wir vor allem in den U.S.A. dass die Bekanntheit bei weitem noch nicht so groß ist wie wir uns das wünschen. Die Vermarktung der Produkte die über einen Distributor gehen läuft deutlich schlechter als jene der Produkte, die über die Allianz gehen. Die Allianz ist positiv für uns!

Q10: Es handelt sich bei der Allianz um eine integrative Allianz – Sie sind Zulieferer für Ihren Allianzpartner?

A: Ja

3.) Erfolgsfaktoren

Q11: Kommunikation: um Vertrauen aufzubauen – haben Sie Informationen preisgegeben / erhalten? Wie wichtig ist dieser Faktor

A: Kommunikation ist ganz wichtig für uns. Speziell für uns – unsere Produkte sind vielfältige – Variationen, etc. Schließlich kann der Allianzpartner die Geräte nur so gut verkaufen wie wir diese Information an die Verkäufer und Kunden überbringen. Das ist für mich eine der kritischsten Stellen in unserer Allianz, weil die Arbeitsweise in den USA doch anders ist. Wir haben in der Zeit in der wir mit unserem Partner zusammenarbeiten bereits 6-7 Produktmanager als Ansprechpartner gehabt. Da waren einige dabei mit denen hat es gut geklappt, andere mit denen hat es weniger gut geklappt. Das setzt immer wieder erneutes Anlernen voraus, das Einarbeiten des Partners und das dauert und ist ganz kritisch. Wir müssen verschiedene Informationen preisgeben, damit der Partner selbständig genug arbeiten kann. Das sind nicht immer die Informationen, die ihm sofort in die Lage versetzten die Geräte nachzubauen. Wer sich damit beschäftigt kann es natürlich in einiger Zeit aufbauen.

In der anderen Richtung: unser Allianzpartner hat keine hohen Hürden in der Information mit dem Kunden. Wir haben oft Conference-calls im Dreiergespräch mit dem Kunde und dem Kundenbetreuer auf der anderen Seite. Das heißt dass wir dann auch seinen Namen wissen und dann direkt mit dem Kunden umgehen können. Somit haben wir Zugang zu Marktinformationen.

Q12: Haben Sie Personal ausgetauscht, ist ein Mitarbeiter von Ihnen zu Ihrem Partner gegangen bzw. ist jemand von Ihrem Partner für eine gewisse Zeit bei Ihnen gewesen?

A: 20:20:Ja, für Trainingszwecke hat das statt gefunden. Wir haben Schulungen hier und Sales- und Techniktrainings in den USA gemacht.

Q13: Zu den Anreizen zur Kooperation: Nichts passiert automatisch. Gibt es eine potentielle Konkurrenzsituation mit ihrem Allianzpartner?

A: 21:28: Kann vorkommen, ist bisher noch nicht passiert auf den Gebieten wo wir kooperieren. Es gab einen Fall, wo eine Anfrage bei uns reingekommen ist, wo der Auftrag dann an eine Konkurrenzfirma gegangen ist.

Q14: Von den Größenverhältnissen: sie sind ein KMU und ihr Partner ist ein Großunternehmen.

A: 22:25: Ja

Q15: Die Größenverhältnisse der Unternehmen

A: Wir sind ein KMU, während unser Partner ein Großunternehmen ist (ca. 1: 100).

Q16: Wie wichtig finden Sie Besuche; persönliche Kontakte zu ihrem Partner – wie wichtig finden Sie das gesehen aus dem technischen Blickwinkel? Besuchen Sie sich gegenseitig?

A: 23:00 Ich denke eine gute Kommunikation kann nur schwer statt finden wenn man nicht ein Gesicht hinter dem Gesprächspartner sieht. Gerade durch die Sprachbarriere ist es natürlich sehr wichtig dass man da eine gemeinsame Ebene findet und dabei hilft der direkte persönliche Kontakt. Nun kommt dazu, dass die relevanten Messen i.d. USA sind, sodass wir uns da ohnedies vor der Haustüre sind und da treffen und sehen und das für unsere Kontakte nutzen. Wir fahren da meistens zum Partner hin um dort ein Sales-training zu geben. Wenn unsere Partner hier in Europa sind nutzen sie ebenfalls oft die Gelegenheit vorbeizukommen um zu gucken wie sieht es bei unserem Partner aus. Je besser der Kontakt zwischen den Techniker ist, desto schneller werden Fragen geklärt; wenn das nicht den langen Weg durch die Bürokratie gehen muss, sondern Techniker x den direkten EMailkontakt zu Techniker y [im Partnerunternehmen] hat und das Problem in einer kurzen mail oder einem Anruf klären kann.

Q17: Der ideale Partner für Sie – wie würden Sie den beschreiben in Hinblick auf seine Ziele und Fähigkeiten?

A:25:00: Er muss in erster Linie genügend Aktivitäten in unserem Marktsegment aufbringen (Kritische Masse) und darf z.B.: nicht das wissenschaftliche Geschäft zugunsten des nichtwissenschaftlichen Geschäfts vernachlässigen;
Sollte ehrlich sein und mit offenen Karten spielen;
Probleme frühzeitig ansprechen, sodass es dann nicht zum Crash kommt und diese schneller gelöst werden können
Ergänzend: gute Verkäufer; Komplementarität

Q18: Konfliktlösung – wie haben Sie in der Vergangenheit solche Konflikte gelöst? Haben Sie sich vorher etwas überlegt, oder sind lösen Sie diese vielmehr nach Bedarf?

A:27:40:Da diese Allianz gewachsen ist kam es kaum Überlegung wie Konfliktbeseitigung gemacht werden soll. Das entscheidende ist eigentlich, dass wir mit den Personen beim Partner immer dein Eindruck hatten dass wir Konflikte ansprechen können und mit gemeinsamen Maßnahmen lösen können.

Q19: Wenn Sie Ihre Aktivitäten beschreiben, haben Sie weniger intensiv in Verträge und Rechtsanwälte, und dafür mehr ins Gespräch mit den Partner investier?

A: 29:00: Der Vertrag existier, sie sind so, dass sie in einem einigermaßen normalen englisch ausgeführt sind und wir meinen ohne Juristen den Vertag zu verstehen. Da stehen einige Grundbedingungen drinnen, dass wir keine konkurrierenden Produkte verkaufen dürfen, mit keinen Konkurrenten Firmen eine Geschäftsbeziehung aufbauen dürfen – also eigentlich Selbstverständlichkeiten. Es ist das Territorium definiert,

Q20: Sie haben einen Rahmenvertrag, der die Allianz definiert?

A: Was fällt unter die Allianz, was nicht, was dient ihr oder widerspricht ihr.

Q21: Sie haben aber nicht Wochen und Monate mit teuren Anwaltskanzleien verhandelt um noch einige Details zu ändern?

A: Nein das nicht, einen RA haben wir sehr wohl drinnen, der hat sich durchaus rentiert, wir haben ja auch andere Beispiele.

Q22: Es ist ja grundsätzlich so, dass Verträge immer inkomplett sind, also nie alle Eventualitäten in Betracht ziehen können – d.h.: Sie bauen vielmehr auf

Vertrauen und gegenseitige Kommunikation als dass Sie so einen Vertrag favorisieren?

A: Ja, letztendlich sind wir in dem Glauben, dass nicht nur ein gegenseitiger Nutzen, sondern auch eine gegenseitige Abhängigkeit besteht. Der Kunde macht Angebote, er will dem Kunden etwas hinstellen und wenn der Partner uns verprellt, steht er auch erst mal nackt da. Diese gegenseitige Abhängigkeit ist es auch die beide Seiten an den Tisch zwingt, es nützt nichts wenn wir vor ein Gericht ziehen, da hat keiner etwas davon.

Q23: Konnten sie sich im Rahmen der Allianz spezialisieren bzw. verbreitern? Konnten Sie sich auf das spezialisieren, was Sie immer gerne getan hätten

A: Wir konnten in den allermeisten Fällen das tun wo wir denken das seine Zukunft darin liegt. Es ist die Entwicklung meistens auf eigenes Risiko gewesen, wir haben mit Sicherheit die Vielfalt innerhalb einer Produktlinie deutlich verbessern können. Spezialisierung in dem Sinne würde ich nicht sehen.

Q24: Wenn Sie jetzt die Allianz betrachten, wo stecken Sie die meiste Arbeit hinein. Wir haben Quartalsziele, wir haben kurz- und langfristige Projekte. Wo liegt bei Ihnen der Schwerpunkt?

A: 34:00: bei uns liegt eindeutig der Schwerpunkt in langfristigen Zielen, in der Allianz gehört es dazu, dass wir die Quartalsziele erfüllen, da der Allianzpartner aufgrund seiner Struktur eine quartalsweise Abrechnung hat und somit gewisse Liefertermine erfüllt werden müssen. Unsere Projekte haben langfristige Ziele.

Q25: Um eine Allianz zu verstärken gibt es die Möglichkeit nicht nur in einem Projekt mit dem Allianzpartner zusammenarbeiten, sondern gleichzeitig oder sequentiell mehrere Projekte abzuschließen? Der Vorteil liegt in der Stärkung der Allianz, der Nachteil die eingeschränkte Selbständigkeit. Wie sehen Sie das?

A:35:15: Wir haben sehr gute Erfahrung mit dieser Allianz, die logische Schlussfolgerung wäre, je mehr Produkte man mit dem Allianzpartner hat desto besser müsste es gehen, man gerät jedoch in eine Abhängigkeit. Tendenz: wenn mehr möglich wird mehr getan, da die Erfahrung so gut ist, die Gefahr der Abhängigkeit existiert.

Q26: Sehen Sie noch einen CSF?

A: 27:40: Was ich kritisch finde ist das Bestell- und Lieferwesen.

Q27: Wegen der unterschiedlichen Strukturen?

A: Bei den Verkäufern haben wir einen höheren Stellenwert. Im Einkauf sind wir einer von Vielen. Da zählt nur die Artikelnummer. Die betriebsinternen Prozesse führen dort zu unnötigen Verzögerungen, die viel Aufwand unsererseits bedeuten. Das ist in der Allianz eine der schwierigen Seiten.

Q28: In Punkto Auslastung – entspannt das die Situation in ihrem Unternehmen? Grundauslastung vs. mehr Schwierigkeiten?

A: Das höhere Volumen führt dazu dass der Einzelposten weniger kritisch ist. Jeder Einzelkosten war zu Beginn mit viel mehr Aufwand verbunden.

4) Zusammenfassung

Q29: Was haben Sie aus dieser Allianz gelernt, und welche Empfehlung würden Sie mir geben wenn ich in eine Allianz – ähnlich wie Ihre Situation – eintreten möchte?

A: Ruhig bleiben, sich nicht über die andere Kultur aufregen, die ist eben mal so, man muss einfach lernen damit umzugehen. Das sind aber eigentlich Kleinigkeiten.

Empfehlung: Versuchen sich den Partner genau anzugucken.

Q30: Haben Sie erwartet, dass sich das so entwickelt, oder hat es sich so entwickelt?

A: Es hat sich so entwickelt – die Sachen brauchen Zeit, was nicht heißt dass man es nicht aktiv hintertreiben soll.

Ich würde sagen, dass war ein schönes Schlusswort, ich darf mich vielmals dafür bedanken.

Interview 7

Date: May 11, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: I7
Interview-partner position: CEO
Duration 48'
Situation: Phone-call
Atmosphere: at home-office

Statistics:

Company code: C2
Year of establishment: 1961
Year of merger: 2004
Sector: Electronics equipment
Revenue: US\$ 200m (2003)
Employees: 1000
Location: USA

1) Internal expectations – strategic purpose

Q1: How would you define a successful alliance – what are your expectations from an internal point of view?

A: The alliance with our partner was in many respects successful. From the business perspective, it was highly successful. We created a new product line together, we created essential a brand new product line and it was not something we were going to do. My president at that time refused to fund it. He knew that the group that manufactured non standard systems of such kind of a product existed and was not profitable all the time. There was some reason for that. It was mainly because of they were not conservative enough in their specifications. They ended up in eating a lot of cost in warranty. That was the element that our president said, he we are not going to do this.

Me for heading the marketing organization at that time knew that there was a market opportunity, needed to figure out how to take advantage of that opportunity, if it was something my organization was not going to do. I looked at several options. [company C] – actually we were very close to signing something with [company C]. The reason why we did a few projects with our partner was that they didn't have a necessary complementary [product K]. I went back and forth with the president of [company C]. We had worked with [company Q] earlier and that had really not gone as well as we would like. To our partner's credibility, they did a rush development on their complementary [product K] then. That turned out later on to have some problems down the line, but they demonstrated very quickly, that they had the technology. Off course, there was a lot of desirables – they were close, the proximity was a great advantage; the ability for us to ultimately sign off on the product. All quality assurance was done by our company. We didn't feel that a small start up did have the right mindset to do it on their own. Actually that was absolutely true. Off course over time, they got a lot better. It was a great source of aggravation, because as soon as we signed off on a product, it became ours and we were responsible for the performance in the field and the installation. But once again accentuate the positives: They were close, they rapidly developed the [product K], we had an existing relationship although on a very low level with a few custom systems and we put an

agreement in place that allowed us to have the QA essentially inside on our side and we would not sign off on a product until it met a certain final test protocol.

6: 55: To my mind, the epidemy to the ultimate success of this relationship was the year we introduced the [product M]. This was a brand new product. In parallel we created enough units for our partner to develop their integrated system, and the 2 products were launched simultaneously. I can tell you that was probably one of the strongest showing that we had this combination totally destroyed out competitor [company C3] at that time. The point was to achieve that, we had parallel engineering meetings. We had those meetings at our partners site and we always had several people from our company in that development team; that was such a very close coupled connection. Off course there were multitudes of silly personal issues with partner I8. But if you tried to put all of that aside, and what was accomplished, it was highly successful.

Q2: Coming back to the question, what do you define being a successful alliance?

A: 10:00: We had a contractual agreement in place, we had working relationships between different points of the organization, There was a parallel structure on both sides. This didn't come out of the initial meeting that developed over time. Clear coupling the financials, the ability to be flexible. If we need to optimize the financial for a monthly performance, we would look at how we could adjust the backlog – so complete transparency on production and backlog, we in turn provided transparency of the field ordering forecast; really full optimization of the business.

The ability to deliver really ground braking new products together at a trade show. At the end of the day, however it is about the financials and we grew the business significantly. When or partner S2 was sold, their overall revenues were about \$ 21m and it started basically from the first SBRI contract of 750k\$ and it was funded by rammed up their founders Visa cards.

13:00 Basically we were able to sell their product with some profit – obviously not as much as if we would make tit ourselves – but every sale of their product was usually coupled with sales from my company C2.

2) External expectations- market view

Q3: Can you say something how their market share developed?

A: We were the dominant supplier we had over 55% of the total market with all of the various options that were available. Our competitor [company C3] did not have anything comparable, you had a few systems from [company C], a few from [company B], this was before [company FL] entered the market.

Q4: Can you comment on the visibility of your alliance partner? Was this a reason why the alliance broke?

A: The relationship begun to fall apart as they became more and more successful. They begun to develop their own sales force that undermined the initial relationship where all distribution was to go through us. They also developed a couple of products, they were not our products e.g. for the semiconductor industry. Ultimately, our company wanted to bring our partner's organization into our large organization. That was at a time, we were just acquired by another owner, but I think we gave them a very attractive offer. The day to day dealings became more and more difficult as they became successful they felt they could do things in a different or better way. I am sure they were positioning themselves for some kind of exit strategy, and we ended up in making them an offer and the

CEO of our partner realized that his role in our organization would probably be minimal because he aggravated a number of people over the years. He was probably going to use the offer for a shopping tour to look for competitive offers. The actual deal was orchestrated through our owner at that time, but there was clear deterioration of the relationship, because they had motivation in maximizing their to the investors. They didn't know the company C3 (their future owner) at least from day to day involvement. I did know that company C3 clearly was desperate to get that company, because they had nothing in this space.

3) Critical success factors

Q5: Do you believe that continual communication develops trust and keeps joint projects on target?

- Did you share information?
- Did you receive information important to meet your goals?
- Did you exchange personnel on a temporary base between your company and your alliance partner?

A: 19:11: A lot of confidential information was exchanged, teams were working together in particular engineering projects,
The main thing we tried to discourage – and it happened to 1 or 2 people only, and it was always a major hassle was a person leaving one company and going to the other.

Q6: Your partner was your provider and it turned to be a rival or at least prepared itself becoming a rival?

A: The alliance was very successful for creating value for both companies. One of the problems was, there were ownership changes on our larger company; that may have caused some changes in the policies. Our president believed long term that the OEM-market would be the dominant market for us and the small alliance relationship will be less and less significant over time. That looked like a viable business model until the dot.com crash. The OEM sales were beginning to dominate the sales of the company and their growth looked very solid and all over sudden, 2000 everything collapsed. Suddenly the non OEM-market was important again and then not long after that we were acquired. The whole process could have been orchestrated better, there were some strong characters however involved may be causing this process going the way it did, and on our partners' side, they were optimizing their return to the investors. Looking at it purely financially, if I can get 3 more million \$ for my company, why not? They felt the relationship with the competitor [company C3] that would have more value to them at the exit as individuals as going on with us. The exit is really there, where the relationship fell apart.
For a short term they were very well received from [company C3], but rapidly you know, interview partner I8 disappeared from company C3.

Q7: How need the goals and the capabilities of a company match to each other in order to maintain trust in the alliance?

A: 24:41: As part of our strategic alliance contract we tried to spell out the areas where we would stay away from and what expertise they would bring and what expertise we would bring into a market segment and how ultimately we would piece that all together. At one point we would even produce an [product O] which was another accessory and I felt we would come too close and I tries to reign that in and we did the [product O]. So we tried to kind of boxing their product around

our [product O] and our final product at an end point, with their [product A] in the middle.

One thing was the introduction of the [product E], which was also a very grey area. They came out with a diode technology and that caused a lot of consternation between the 2 companies. We worked through that, we decided the relationship was strong enough and again, we defined some market segment areas. I have to say it took a lot of energy to steer this relationship and keep it together for such a long time.

Trust in the

Q8: Regarding the contract: did you involve expensive lawyers?

A: No we did not. It did have legal review at the end, but the initial contract was really done between interview partner 8 and interview partner 7 or including our former CEO. We had several contracts, it was like a 4 years time period and in fact that is what ultimately initiated the final split, because a new contract was up for discussion and the general feeling on our side was we wouldn't go for another 4 years, we needed to change the structure of the relationship. So we initiated the fact that we would like to acquire company S2. So the contracts originally were done between the presidents of the company, there were not lengthy legal documents, they really toughed upon the key elements defining the technology, the deliverables, a price schedule and a series of products that would be exchanged. There were other pieces of relationship where e.g.: optics would be supplied from us to them, to share some of our technology for their development, we provided access to them for our diagnostics equipment. The contract was reviewed by attorneys later. We went through 3 contracts and the 4th one ultimately was the 4 - 5 years contract. However it included gentlemen agreements that while we work through a new contract, the relationship will be intact.

Q9: Regarding Specialization – could you and your partner specialize on certain product areas during this period? Was this a CSF for your alliance?

A: 30:00: If we would be able to do this in house, my preference would have been to do it in house. However the mandate for the business that time from our president was that the company will have most of its new investment in the development of OEM architectures. So the benefit to our company was to put more investment and focus our R&D in areas we developed as core competencies. Our partners' [products A] were not reviewed as core competencies, but our [products O] were. That allowed us to specialize and to not invest in the R&D of other products but still benefit from the upside market.

Also because it helped a larger number of existing products.

Q10: Beyond focusing on a single product, but to have sever product developments within this alliance in parallel – did you have this in place?

A: 31:45: Absolutely, we had roadmaps together for each product, there were times where our partner was a little bit secret about this roadmap, but generally there was communication that was done on a consistent basis, it wasn't weekly, but it was every 2 weeks; I spent a lot of time at their facility, and so the 1st generation were the initial products and you could see the roadmap that developed over time, that went from [technology L] to [technology D] that went from initial power to 4 times the power, that was an evolution. Similar on other technological approaches.

Q11: You had a frame that was due to renew every several years, and there was a certain time you had to enter into renegotiation talks – so it was not open ended, it had to be actively prolonged.

A: 33:23: The contracts run about 4-5 years, in some instances we do an automatic extension, but generally they were updated. There wasn't a lot of new language, but e.g. new technology became available. The 1st generation of [product K] exclusively was sold to us; the 2nd generation involving a different technology had been exclusively sold through us as well. It was a 4-5 year time period, the contract was reevaluated in what was going on, pricing might have changed too.

Q12: I am more looking on a frame that can be open ended or on a longer tie scale. Did you have 2 levels in this contract, or was it basically 1 contract that had to be renewed entirely?

A: 34:35: So it was really one contract that we had. There was a variety of items we had, there was a section it dealt with the product itself, another would deal with what the relationship would entail, what would be available to sell through us, then there was clauses of restricted development on either side, obligations in terms of specs, timing, etc.

Q13: The contracts by itself – the efforts and cost sitting down involving attorneys – which you did at the end – but all together you could minimize that by doing most of that yourself. So there were no complex contracts involved, which eat up a lot of your budget for establishing the alliance?

A: 36:14: Correct! I think the way we did it – sitting down and writing the contracts by ourselves – that was more a reflection of the size of our companies at the time. Our company was big in some respect, but not big in others. Revenue was still under USD 200m and in many respects it was a medium to small size company. If that relationship would have been with a bn \$ company, there would be enormous expense associated with the contracts. It was minimal, but in a different size of organization it could have been a lot more costly.

4) Results

Q14: What do you think is the most important CSF we had now talked about?

A: 37:36: Trust is extremely important, to be honest, there was concern about trust on either side.

But I think communication is the #1 thing. Generally, when there were issues, it was always, because communication had broken down somewhere in the organization. Open communication and trust is really the key issue. Obviously you got to have a technology need, a market opportunity and all those things, What really makes it successful is communication and understanding one another's goals: They wanted to be a \$ 20m company, we wanted to create a \$ 25m product line that enabled us to sell twice as many of our products. These were financial goals and strategic goals for both companies. Looking at it from the outside it is a complete success story.

Q15: What is the most important thing you have learned from that alliance?

A: 39:11: The one thing that I would learn from this is that the exit-strategy needed to be thought through much earlier in the process.

Q16: Regarding the exit: Do you think it would have been better to offer your partner more space within the alliance or do you think the opposite, it would have been better to integrate them earlier into the big organization?

A: 40:22: Our partner was able to get some name recognition, they clearly had a presence at shows; generally they would always be very close to the big organization in terms of physical location at trade shows. When you look at the success story, they ended up selling the company for x times the revenue and 60% of those revenues were coming from us. That was the majority of their revenue. They would not have grown as quickly neither would have such a big market presence without the alliance. [The integration] was handled poorly and a part of it was the fact that the mother company went through some major ownership changes and directionally we went to the dot.com and telecom. The ownership change of the entire organization may be catalyzed their desire not to be part of our organization. We were no longer a publicly traded company. In hind-side an exit strategy should have been worked through much more actively earlier and better planned, but you can never foresee off course the fact that the ownership would change on the large.

Q17: I, Andreas plan to enter with my small company into an alliance with one of the big companies around, just give me an advice.

A: 44:00: First being very clear about what your goals are. Also understand your own exit strategy. In a situation where 60% of your revenues are coming from one company, you easily could be cut off from the market place. From the p.o.v. from the large manufacturer you want him be cut off from the marketplace. So my advice is: be clear, what the relation would look like in 5 years time. Company x (small) goes into a strategic alliance with company y (large). In 5 years down the line you have to say this has been successful. If you look at our alliance, 5 years after the interception, the products that had come out – you look at it from the outside and say “ whaaaooo!” this has been successful. But try to figure out – do you want to be bought by this company? Do you want to sell a product line to this company?

Can the alliance get you where you want to be in e.g.: 3 years after with twice as much revenue?

Q. Thank you very much, that was extremely interesting!

Interview 8

Date: May 15, 2009
Time at destination: 1 p.m.
Interviewer: AST
Interview-partner code: #8
Interview-partner position: CEO
Duration: 55'
Situation: Phone-call
Atmosphere: at home

Statistics:

Company code: S2
Year of establishment: 1991
Year of merger: 2003
Sector: Electronics equipment
Revenue: US\$ 20m
Employees: 45
Location: US

1) Internal expectations – strategic purpose

Q1: Internal expectations describe the “micro-view”, the view from within the company; related to a business strategy. Please let me start with the 1st question: How would you define a successful alliance – what are your expectations from an internal point of view?

A: That depend a little bit on what the goals of the alliance are. In general, the alliance has to promote the goals of the company; to help the company either with its product development or with the marketing of its products; in such a way that you benefit more than if you would not have the alliance. The main thing is the alliance needs to match the goals of the company. If you are entering an alliance which may be takes the company into a wrong direction, and change the focus of the personal of company or the direction the company has gone without really reconsidering that, could actually cause some problems, that you did not necessarily foresee. If you are getting into such an alliance, you often sign contracts with multi year long. So if you have not recognized or think about those things upfront, [you may run into trouble]

Talking in particular about the specific alliance, the advantage was that obviously we had technology that was very complementary to our alliance partner’s technology. And putting their [product O] to our [product A] enabled a few things that other companies where not able to do. 1st from our perspective, it gave us access [to the market] very quickly [for our products]. If we would not have gone in this alliance, we had to develop [product O] on our own or negotiate with a number of other companies to try to get into an alliance with them. So it enable us to get into the market with our [product A] much more quick and with a less expense than we otherwise would need. And I think it is true that it is the case also from our alliance partner’s point of view. They didn’t have [an A-product] and at the time they didn’t have the resources to develop such a product. They worked on the [Q-product] and had to upgrade that. They had not product offering in the [A-product] range and they didn’t have the resources to producing it by their own.

So this was the primary reason for getting into that alliance and the reason it was successful for us was that our alliance partner brought into it a world-wide marketing organization which we didn't have as a small company. We had a much better exposure of our products world wide. It was a huge advantage for us, that they had a great organization in [country A]. We would have had difficulties in entering a market like that. So it was very synergistic and it worked well for both sides and it helped to get into the market much quicker

Q2: So time to market is an important goal of this alliance?

A:5:48: In this particular alliance it was very important.

Q3: In your opinion: which are the most important efforts for keeping an alliance afloat – what can you say from the p.o.v. of your company like communication, contracts. What were the efforts you invested to keep this alliance afloat?

A: 6:30: There were a number of issues: It is the relationship developed in the alliance, there are a number of things that we discovered, we haven't thought about: From my perspective, the 1st thing that happened that was the most important one: Our partner has a real expectation to the quality of our product, and the way that they were going to respond to warranty and service issues from the customers. So we got a reasonable amount of products in the field. In the early phase, in the mid nineties we had a number of issues with our products that occurred in the field, after the products have been shipped. Some of them had to do with reliability issues, the performance not meeting the expectations of the customer. Sometimes it was because our partner's sales team raised unreasonable expectations in the eyes of the customer. That was because they had to sell a product line, they were not used to sell it. So what we found was, we had to put all resources of our company into that particular alliance. What we initially expected. We had to perform some on sight service work again all over the world. Our partners' service team took a long time to come up in speed. We were doing a lot of installation initially, because they didn't have people that were trained. Again, they didn't have those resources, they were dealing with their own issues and they had masses of them. So they basically pushed back those problems to us. The other problem was, that the sales engineer of our partner never really – at least initially – didn't learn the product very well. So we ended up with a couple of problems. One was customers that had unrealistic expectations. Another one was that some of the sales engineers would realize that they would run into death – they had to make a very big sale to make – several hundred thousand Dollars and our [A-product] is key to it, than we had to send someone from our company to close the deal. We had to go on the customer's side, because our partners engineers weren't trained very well.

Q4: So you also mean that [your alliance partner's] sales force needed your support from your side?

A: Absolutely! Over time, the situation eventually bated a little bit, after they had their own problems improved. Our partner put more resources into the product and also the management and people who are responsible for managing our product line at our partner changed, that was when I met [interview partner #7] actually

10:40: Prior to that, it was managed thoroughly through R&D at our partner, so we were then telling their M&S guy "look here is another product you can sell" and our negotiations went a lot through R&D. When the market looked like it was something solid, and the sales begun really to pick up, our partner took the decision to put the management of our products under S&M and [interview partner #7] got involved. And then they put a lot more resources – a service

team that was specialized in our products and they gave more training to the sales staff. After a few years it got better. It never got perfect, there were always issues with sales and services, but it got a lot better.

Q5: 11:40: It is a very complex product, which can't sell like a car?

A: When I was still looking on fault there, without pointing finger at our partner, the fault that took place is on neither side recognized is in managing a complex product like that so a lot of the issues that would have been good to agree upfront on who takes care on sales and services, on different problems that may take place - how we train the sales force and all those things we should probably have defined upfront and never got done. We dealt with those issues as we went on, but it was on an "as-needed" bases, and because of it, it was more painful I think than upfront deciding who shall take responsibility on which cases.

Q6: Did you have a written contract or a written set of rules once you had a problem that you could get back to a solution or how was that organized?

A: We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable 13:29 rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do. That particular contract by its nature was rather short and did not cover all eventualities we might run into. So we dealt on a case by case bases when a problem that became cropping up. When we felt we needed an understanding on it was we would write up an addendum to the contract which should be a page or so long on how to deal with those issues going forward. It really was at that point, the spirit of the alliance was to make it move forward and to be a benefit for both parties.

Q7: 14:25: That sounds excellent - to start with a frame and once a problem appears you try to solve it and to write it down on paper - did you see a weakness here?

A: No not really

Q8: Would you make a different if you come in this situation again?

A: The only thing is to try to think more carefully upfront about the eventualities we may run into. E.g.: that our partner would be more careful with its installations - off course that never happened. And it didn't happen for a number of different reasons. You have to bear in mind that you also that alliance. A number of people - when looking back to both partners - were involved and there were a large number of personalities involved and when you get that number of people interacting there is always a number of issues cropping up. It is clear that people at our partner felt that we are more benefitting from that alliance and they should be more heavy-handed as they dealt with us in their negotiations. That wasn't necessarily [Interview partner #7] but we dealt with those people you know them, they are more difficult to deal with. Without naming names, I can tell about the sales guy from the [Territory E], which was extremely difficult to deal with. He thoroughly thought we should do everything bend over backwards for him. Whereas the sales guys in [Territory A] they were always prepared for everything to do to help us. This is true for service too. You know if a product fails, it always was that people at our partner felt that we should pay for repair. It was handled in the contract who will pay for repairs under warranty and out of warranty, however a lot of the people at our partner didn't have ever seen the contract. They were working under the direction of their supervisors and

they did have their own opinion how it should be handled. I am sure they could say the same about our company too. There where people at our company I had to tell them "don't interact with our partner" and we gave them a hard time too.

Q9: So if you consider all the problems in communicating with your partner, communicating on the service level, on the sales level, and on the other hand put all the contracts on the table – at the end of the day would you say it was worth all those efforts – comparing what you have invested and what you have gained from this alliance?

A: Oh yes, absolutely! All the efforts involved it was difficult to manage, but if you look what we have gained from it, there is no comparison. It was difficult to manage, and some times I wondered when going through those issues if it was worth that. I remember one specific case, when we negotiated with the sales guy from [territory E] I can't remember what the issue was, but it was to do with pricing I think, to win the sale he just wanted us having a discount. But I said no for this customer. And the response back was this nasty email saying "Hey you know I have a mortgage to pay" and this is going to far having to deal with this kind of an email. That is the time when I felt is was not worth it, but those issues were not very common. Occasionally I run into that kind of issues. In general it was a worth while exercise. My opinion on it is it would have been better for us to continue beyond the acquisition of my company. That didn't quite go as necessarily I would have chosen but may be this is a different issue.

2) External expectations – market view

Q10: May I come once again back to the market: You were a supplier to your partner. Was there also some overlap with your product portfolio, was there a competitive situation?

20:09 or was it -as you said at the beginning- very complementary to your partners products?

A: It was mostly complementary; there was a small amount of overlap we sold some products that were sold by our partner, but the overlap wasn't really difficult to manage. We had an agreement that we had an alliance on the [product A], [product B], etc. but that was fair game. Since we were 2 separate companies, it was easy to put on paper, but not so easy in practice. Because the overlap was so small, we had very few issues. The biggest issue on the overlap was with our custom laser group, where we made pulsed lasers on customized bass. Occasionally, we would run into a situation, where a customer's need could have been met by our partners' [product Q].

Q11: But the custom system business was not your main business?

A: The thing is that our custom systems are so expensive in price; that means the customer would just acquire our partner's [product Q]. But then our partner's sales buy finally would find out that he is competing with us and is P.O. It would have been a lot more difficult to manage a situation, where there was a lot of competition.

When I later worked with [company C3] we run into this kind of situation, but it never worked out with alliances, we were never very successful. The problem is there was a lot of mistrust – to get the alliance off the ground – there was just too much mistrust in that situation.

Q12: That is a general problem with the alliance – the fear that one could give more than he could gain afterwards

A: That's right!

Q13: At the beginning of the alliance you came faster to the market, now we come to a sticky question, how about the visibility of your company and the brand image – wasn't it limited due to your big partner's brand?

A: That was a difficulty – one of the problems I had to put a lot of effort into name recognition of our company. One thing we did was to put probably a disproportional amount of money in advertising and marketing. We always run full page ads in [journal L], we always had the biggest booth we could afford at [tradeshaw C]. We put a lot of efforts in developing the brand, because a lot of products that went into the field did not have our name on it. Again that was an issue when we dealt with our partner. One of the down-sides of that is when you chose to grow the company into a new technical area, where you are not selling through our alliance partner, you don't have the initial name recognition for your quality; that you should really have with the volume of products you have in the field. So that is why the extra money came into M&S. That was partially successful, but certainly didn't compensate entirely for that negative side.

Q14: Regarding your exposure, which was probably your single biggest customer – your alliance partner – can you please comment on that? How much of your revenue went into the alliance roughly and did you see a thread in that?

A: We had an alliance with our partner close to 10 years. So the % of revenue that went through our partner varied from year to year. Sometimes it was more a problem than others. Ball park it was about 50% of our revenue. Sometimes it was a little bit more, sometimes it was a little bit less. We had products that went to the US through our custom product group, we had other products that were sold to the semiconductor industry. So we were able to raise revenues that way. One of the other things you have to keep in mind when you look at the products provided to our partner. It was half the revenue, but it was not half of the shipments we were making, because we gave them a pretty big discount, because we didn't care about the S&M or the service. From the volume of the products it was disproportional of was more than half the products shipped. We made much better margins with our own products, that how we could maintain up to 50% of our own revenue.

27:50 It had its pros and cons. Obviously one of its cons is that you had to rely on these guys and if for some reason they one day pull the plug and stop buying from you – even if you have a contracts – you are rich on paper only. You spend your money on lawyers trying to make somebody buying products from you that will work probably??? That side was pretty big for us.

The benefit on the other hand was for us that we were able to predict fairly well on a year on year bases what the revenues will be and now we had a firm account on them. There are a lot of companies around that had one big customer e.g. in the automobile industry. At the time I used to think about that and I think that is not an uncommon situation for a company having e.g.: 1 or 2 big customers. There is risk, but they paid us in time, we didn't have any accounts receivable, or any issues with them, so we didn't get any bad debt, so that was always extremely helpful for us. There was a benefit in revenue and our accounts receivable was solid.

Q15: So it was worth having such a big customer – on the other side the customer may be relied on your products?

A: There is no doubt that there was a need to continue that alliance from both sides. So it was not always an ideal partnership, but the benefits outweigh the downsides.

3) Critical success factors

Q16: Do you believe that continual communication develops trust and keeps joint projects on target?

- Did you share information?
- Did you receive information important to meet your goals?
- Did you exchange personnel on a temporary base between your company and your alliance partner?

A: 31:14: We exchanged a lot of information - there was not a huge degree of confidential information however. Except for one that was necessary for the alliance to continue. E.g. when the technology switched to diodes and later on we came out with the [product E], it was important to let each other know about the product development. So there was a big switch, where we had a plan for that. All the other we did not share some confidential information. We didn't switch personnel either. We didn't send our people to our partner, but we did have some of our partners' engineers come to us for training for a week or so in time. We never switched personnel; there were only planned visits when there was a planned training visit involved.

Q17: About site visits – did you visit [interview partner#7] on a regular base?

A: There were contacts on all different levels. [interview partner#7] and me used to meet on a weekly base without any agenda. Although it was meant to meet every week, it never happened, because we had other commitments at that time. We had a weekly production meeting with our partner, where we did review the production and the need of the customers. We also had a weekly service meeting, where we looked at the problems in the field, if any service issues required design changes on the product. So the communications level with many areas in the company was established through meetings.

Q18: So on which level did this work? Where product managers involved in either side? Was [interview partner#7] and you involved in either the service or the production meetings?

A: 35:05: Depending on the nature of the meetings, e.g. for the production meetings we had our production people and they had the production planners for the meetings so they could discuss between themselves when a particular system had to be shipped and what the customers' expectation was. In the service meetings we brought in the service personnel and they had their parts planners.

Q19: There was basically a clear interface on who was talking to whom on which issue and that was pretty much organized?

A: Absolutely, there was a clear interface on who was talking to whom on which issue in a pretty organized way.

Q20: 36:00: Your products and capabilities were pretty complementary. How well did the major goals from your side and from your partner's side fit together?

A: I believe the major goal of both companies was similar. From our perspective, it was to grow the company more quickly and to enable us to get our products in the field with a reasonable manufacturer. Another goal of course was the use of their world wide sales- and service organization. Our partner's goal initially was to get a new product to the market without having their R&D resources developing it.

I think at the time we matched those goals pretty well. And that continued. You may say, that after they had the product in the field they may have going in and develop their own version, but the reality of that was they could have put resources on that, but they put their resources somewhere else and develop a new market. They knew they had a success with that and the other way was a risk. I think that matched the goals of both companies pretty well.

Q21: Coming back to legal issues and complex contracts: Your business did not include expensive lawyers with formulating such contracts. How could you avoid those contracts. We briefly talked you had a frame contract and you adopted it continuously from case to case.

A: 38:37: right – we had a letter of understanding as we called it. So what basically happened is that our partner's business manager and me set down and mapped out the key issues within the alliance. That were obviously pricing and products involved and those kind of issues. Then our partner's business manager took that away, wrote it down in a letter and run it through their corporate attorneys and after the attorneys said o.k. he sent me the copy of letter and I signed it. That is how we amended the agreement. It was 4-5 pages at most. It grew over time and all the amendments were done in the same spirit. Later on both sides attorneys were involved and we had to make sure that on both sides there was nothing distasteful to the lawyer. So I had an attorney involved too and he gave me his opinion on that. So what I remember, it is much more important to work together than to worry about a complex contract and to derail this thing with a difficult contract. So we had a million Dollar business on something that was a little bit more than a hand shake, but it was not a difficult contract.

Q22. That means trust plays an important role?

A: The other important thing was since we put it up together, we knew what we put into it, which is a lot easier than if we had to understand a difficult contract.

Q23: Regarding Specialization – I think both you and your partner could specialize?

A: As a result of this alliance, we were tied into a particular technology – which we sold to our alliance partner. That meant that we did specialize on that particular technology. Later on, as the company grew, we moved out of it with some degrees of success in different areas. The problem is, it is really a function of the size of the company. One of the things that happened, that was one of our goals, was that the company grew fairly quickly at first. We put pretty much all our resources into that one product line. So we were very specialized as a result of it. The alliance brought big growth and by default we had to become specialized. Later on that changed.

Q24: Do you see that as a chance or as a risk? At one point you tried to become broader again in terms of your product portfolio

A: 44:28: At a time we were growing and we didn't have resources to put in other places, I didn't even think about that much. I think we were meeting our goals with our alliance partner. The company was growing really successfully so I never really thought that it would be a benefit to branch out into other areas. It wasn't until we reached a certain size till we begun to look into other product areas we could move into. We had a place forward to business through our alliance partner, so we did. In hind side, I think it was only a thing was the limited resources and it forced us applying them into the one product line. If we were tempted to go

outside and sell a number of little projects we would probably fail. That was a benefit, we probably didn't recognize at the time.

Q25: About short run problems: Where did the major effort go into? Was it monthly, quarterly things with a relatively short time horizon or was it more about the medium and long term issues?

A: Most of the efforts run into the short term issues. They were always the most pressing. E.G. a product that was promised by a particular sales guy to be shipped on a certain date, where we didn't get that information, or even with that information we couldn't ship on that date because there were may be delivery issues with some parts or what so ever. There were a lot of meetings on a weekly bases where we had to discuss about a particular customer, product or specs and there were always things that had to be solved very quickly.

The other thing that was always brought up on a short term issue was shipment. So we were companies that were set up for revenues. Our partner in particular, they had goals to meet, their management had goals and they were concerned about \$ and shipments. There were always discussions how much products we can ship in a particular month or quarter. Those by far were the biggest issue.

The longer terms issues were dealt on an occasional case, they tend to be strategic by their nature and were not discussed every day.

4) Results

Q26: What do you think is the most important CSF we had now talked about?

A: The answer is communication. Having open communication channels between the appropriate people stops problems quickly and stops people getting P.O. My feeling is that communication is by far the most important CSF.

Q27: The alliance doesn't exist any more, so was there a defined dead line or did it happen, or was it scheduled?

A: The alliance ended for a number of reasons: From a purely legal perspective, the contract between us and our alliance partner had a finite time. So it had a date on what it was going to end and that was the date it really ended. We mutually could have chosen to continue beyond that date and we didn't. We got acquired by or alliance partner's competitor [company C3].

51:45 As you know that was an issue for our alliance partner more than what it was for us but I think it was something they had no plan for, judging by how they reacted. That was the reason, so we had no choice but to terminate it.

Q28: What is the most important thing you have learned from that alliance? Can you give me an advice based on what you have learned?

A: First when you go into an alliance it is important to understand the benefits it brings to both companies. My feeling is that those alliances never even start, because of too much distrust between the people involved. When there are people on the table they have not been involved in those things before, they say things like "can we trust those guys, what do they want to get out of it?" The real answer is that they want to get a benefit for themselves and probably you too. You need to put beside any biases you may have or feelings of mistrust.

The other part I would say it is important, is that the communication part has to be there. You need to maintain open lines of communication during the entire time and it is important to let the other party know when you feel it is something going wrong.

There was one point in particular, when our alliance partner wanted us to drop making custom systems, because they felt it was taking away resources from making the [product A] for our alliance partner. That request went beyond to what I felt it was reasonable. They were beginning to run our company at that point the fact was they were our vendor, we were the supplier. The fact beginning to play the mussel of size is taking the agreement in the wrong direction. I told them to back down off that and I told them what I felt and they agreed. They had backed down off that request.

What I did learn from that is important to understand what the other side's perspective on the situation is as well as your own.55:34 What is making the other side successful – if it doesn't make both successful it is going to fail.

Q. Thank you, it was really great to get you on the phone and getting all that information from you.

Annex II – Qualitative Content Analysis

Paraphrasing, Generalizing & 1st Reduction:

I	Q	Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8	1	the alliance has to help the company either with its product development or with the marketing of its products;	marketing or product development	1									C1: Advantages of the alliance: -cost saving in R&D -time to market -growth in revenues - predictable sales -reliable payments - use partner's marketing & service network
8	1	In such a way that you benefit more than if you would not have the alliance.	higher benefits with alliance	1									
8	1	The alliance needs to match the goals of the company. If you are entering an alliance which may take the company into a wrong direction, this could cause problems if you sign multi year long contracts you may run into trouble	goals of the alliance = goals of the company	1									
8	1	Advantage: our technology was complementary to our alliance partner's technology.	complementary technology	1									
8	1	Putting their product to our product enabled things that other companies were not able to do and access to the market	entering new markets	1									
8	1	If we would not have gone in this alliance, we had to develop a product on our own.	product development without alliance	1									
8	1	It enable us to get into the market with our product much more quickly	faster time to market	2									
8	1	It enable us to get into the market with our product with a less expense.	cost saving	1									
8	1	And I think it is true that it is the case also from our alliance partner's point of view.	advantageous for both partners		1								C2: Requirements for the alliance: -same goals e.g.: growth -understand your partner's benefit -synergetic technology & products
8	1	The primary reason for getting into that alliance was that our alliance partner brought into it a world-wide marketing organization which we didn't have as a small company.	alliance brought world wide marketing organization	1									
8	1	So it was very synergistic and it worked well for both sides	synergistic	1									
8	2	The most important efforts to keep the alliance afloat is the relationship developed in the alliance,	relationship crucial to keep alliance afloat				1						
8	2	Our partner has a real expectation to the quality of our product, and the way that they were going to respond to warranty and service issues from the customers.	partners high quality expectations			1							C3: Problems in the alliance: -quality issues -lack of resources allocated to the alliance
8	2	So we got a reasonable amount of products in the field.	increased revenue		1								
8	2	We had a number of issues with our products that occurred in the field, after the products have been shipped. Some of them had to do with reliability issues, the performance not meeting the expectations of the customer.	reliability issues of our products			1							

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8 2	Sometimes it was because our partner's sales team raised unreasonable expectations in the eyes of the customer, because they had to sell a product line, they were not used to sell it. So we had to put all resources of our company into that particular alliance.	partner oversold product, because of lack of training of sales team			1							
8 2	We had to perform some on sight service work again all over the world. Our partners' service team took a long time to come up in speed. We where doing a lot of installation initially, because they didn't have people that were trained.	we took over services because partner's service team was not trained well			1							
8 2	The sales engineer of our partner initially didn't learn the product very well. We had to send someone from our company to close the deal, because our partners engineers weren't trained very well.	we helped closing deals because our partner's sales team was not trained well			1							
8 4	management and people who are responsible for managing our product line at our partner changed when the market looked like it was something solid, and the sales begun really to pick up	partner improved management			2							
8 4	And then they put a lot more resources - a service team that was specialized in our products and they gave more training to the sales stuff. After a few years it got better.	improvement by partner's service team for our products			1							
8 5	In managing a complex product like that, a lot of the issues that would have been good to agree upfront on who takes care on sales and services, on different problems that my take place - how we train the sales force	Agree upfront on who takes care for what				1						C4: Contracts & Agreements
8 5	We dealt with those issues on an "as-needed" bases, which was more painful than upfront deciding who shall take responsibility on which cases.	negotiating on "as needed" base is more difficult than upfront				1						-define tasks and rules upfront and think how it will work in practise
8 6	We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do.	simple, written, understandable contract with no lawyers involved				1						-simple, written, understandable
8 6	That particular contract by its nature was rather short and did not cover all eventualities we might run into. So we dealt on a case by case bases when a problem that became cropping up. When we felt we needed an understanding on it was we would write up an addendum to the contract which should be a page or so long on how to deal with those issues going forward	incomplete frame contract with addendum for solution of new problems				1						-sit down yourself and involve lawyers for approval only on both sides
8 8	The only thing is to try to think more carefully upfront about the eventualities we may run into.	think carefully about eventualities				1						-no complex contracts with continous addendum for solution of new problems
8 8	A large number of personalities involved and when you get that number of people interacting there is always a number of issues cropping up.	The more people involved, the more issues cropping up				1						-develop an exit strategy

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8	8	It is clear that people at our partner felt that we are more benefitting from that alliance and they should be more heavy-handed as they dealt with us in their negotiations. You know if a product fails, it always was that people at our partner felt that we should pay for repair. It was handled in the contract who will pay for repairs under warranty and out of warranty, however a lot of the people at our partner didn't have ever seen the contract				1						
8	9	All the efforts involved it was difficult to manage, but if you look what we have gained from it, there is no comparison.					3					C5: Following (high) efforts guarantee gain from the alliance:
8	10	Our product range was mostly complementary; there was a small amount of overlap we sold some products that were sold by our partner, but the overlap wasn't really difficult to manage.	2									-develop relationship & trust
8		We had an agreement that we had an alliance on the certain products it was a fair game.					1					-communication
8		It was easy to put on paper, but not so easy in practice.				1						-allocated to short- rather into mid- and long term goals
8		to get the alliance off the ground - there was just too much mistrust in that situation					1					
8	11	Visibility of the brand was a difficulty - one of the problems I had to put a lot of effort into name recognition of our company.						1				C6: Maintain independence being the 'small' alliance partner by:
8	13	One thing we did was to put probably a disproportional amount of money in advertising and marketing. We always run full page ads and we always had the biggest booth we could afford. We put a lot of efforts in developing the brand, because a lot of products that went into the field did not have our name on it.						1				-develop your brand as an OEM
8	13	A Ball park for the revenue that went through our alliance partner was about 50%. So we were able to raise revenues outside of the alliance. The products provided to our partner made half the revenue, but it was not half of the shipments we were making, because we gave them a pretty big discount. We made much better margins with our own products, that how we could maintain up to 50% of our own revenue.						1				-limit revenue exposure with alliance partner
8	14	One of its cons is that you had to rely on the alliance partner. If he stops buying from you, you may spend your money on lawyers trying to make somebody buying products from you that will work probably? That side was pretty big for us.						1				-diversify as soon as your company grows

I	Q Paraphrase	Generalization	C1	C2	C3	C4	C5	C6	C7	C8	C9	1st Reduction
8	20 They put their resources somewhere else and develop a new market. They knew they had a success with that and the other way was a risk.	Partner's goal = developing new markets	1									
8	20 we had a letter of understanding as we called it. So what basically happened is that our partner's business manager and me set down and mapped out the key issues within the alliance. That were obviously pricing and products involved and those kind of issues.	Contract was letter of understanding about pricing and products				1						
8	21 Then our partner's business manager took that away, wrote it down in a letter and run it through their corporate attorneys and after the attorneys said o.k. he sent me the copy of letter and I signed it. That is how we amended the agreement. It was 4-5 pages at most. It grew over time and all the amendments were done in the same spirit.	4-5 page amendment to the agreement together with partner's business manager				1						
8	21 Later on both sides attorneys were involved and we had to make sure that there was nothing distasteful to the lawyers	Amendment approved by lawyers				1						
8	21 Specialization: As a result of this alliance, we were tied into a particular technology - which we sold to our alliance partner. That meant that we did specialize on that particular technology.	Specialization on the particular technology of the alliance						1				
8	23 Later on, as the company grew, we moved out of it with some degrees of success in different areas. One of our goals, was that the company grew fairly quickly at first. We put all our resources into that one product line. So we were very specialized as a result of it. Later on that changed.	Diversification as the company grows						1				
8	23 The company was growing really successfully so I never really thought that it would be a benefit to branch out into other areas. It wasn't until we reached a certain size till we begun to look into other product areas we could move into	The fast growth with the partner hindered diversification						1				
8	24 If we were tempted to go outside and sell a number of little projects we would probably fail. That was a benefit, we probably didn't recognize at the time.	The company had little chance to prosper alone						1				
8	24 Most of the efforts run into the short term issues. They were always the most pressing. There were a lot of meetings on a weekly bases where we had to discuss about a particular customer, product or specs and there were always things that had to be solved very quickly.	Weekly meeting on customers and products							1			
8	25 The other thing that was always brought up on a short term issue was shipment. So we were companies that were set up for revenues. Our partner in particular, they had goals to meet, their management had goals and they were concerned about \$ and shipments. There were always discussions how much products we can ship in a particular month or quarter. Those by far were the biggest issue.	Weekly meeting on shippings and revenues								1		

I	Q Paraphrase	Generalization	C1 C2 C3 C4 C5 C6 C7 C8 C9									1st Reduction		
			C1	C2	C3	C4	C5	C6	C7	C8	C9			
7	10	you could see the roadmap that developed over time, that went from [technology L] to [technology D]										1		C8: Strategic planning: -develop a roadmap -reevaluate goals met
7	11	the contract was reevaluated in what was going on, pricing might have changed too.										1		
7	17	be clear, what the relation would look like in 5 years time. Company x (small) goes into a strategic alliance with company y (large). In 5 years down the line you have to say this has been successful.										1		
1	36	I think that an alliance with a company that does not share the same culture is more difficult to simply make it on a relationship base. A rather formal contract would be required.											3	C9: Culture of companies important for trust
			20	4	8	12	8	9	10	3	3			

Categories C1'...C4' including definitions and coding rules

Category	Definition	Example	Coding rule
C1': Prerequisites	similar goals & synergetic capabilities cost saving or time to market reduced mutual understanding & culture	"Putting their product to our product enabled things that other companies where not able to do and access to the market" "An alliance with a company that does not share the same culture is more difficult"	Tick if one of the following requirements are met: a) Goals & capabilities b) Savings or time to market c) mutual understanding & culture
C2': Contracts & Plans:	frame definition upfront with continuous addendum simple, written contracts, developed together with your partner approved by lawyers	"We had a written contract with our partner, it was not very long, it probably could have been longer. It was fairly simple. The whole idea initially was to have a contract that was understandable rather than having lawyers involved and to have it more readable and understandable on both sides and we could understand what we are trying to do".	Tick if one of the following requirements are met: a) simple, written b) CEOs work out together, lawyers approve afterwards c) frame with continous addendum
C3': Critical Success Factors:	communication on all levels = most important CSF building trust allocation of sufficient resources to master operations plan & re-evaluate goals	"The most important efforts to keep the alliance afloat is the relationship developed in the alliance" "And then they put a lot more resources – a service team that was specialized in our products and they gave more training to the sales stuff. After a few years it got better".	Tick if one of the following efforts are made: a) good communication b) allocate sufficient resources c) build trust d) plan & re-evaluate goals
C4': Independence:	Set actions to make your organization survive without the alliance if necessary	"Visibility of the brand was a difficulty – one of the problems I had to put a lot of effort into name recognition of our company".	Tick if one of the following requirements are me by the OEM suppliert: a) invest in your brand b) limit revenue exposure c) diversify

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