



Mutual creativity

Co-innovation by business partners

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Shared mind-set

"Mutual creativity is a shared mind-set. As you get better at it, problems take on a different tone. By learning to be creative together, you increase the chances of constructively sorting through your differences, which encourages you to go further. The earlier you adopt this style, the sooner it will start working for you."

Joint creativity in strategic alliances

In an opportunity-maximizing strategic alliance, continued joint creativity leads to regular improvement, outperforming what any single change can do.

Trust-based relationships and complementary assets must exist between partners for this approach to be used successfully. In this informal approach, monitoring costs are reduced and opportunities to create value through cooperative relationships are maximized because alliance partners can pursue potential rent-generating opportunities that aren't available to partners in more contractually restricted alliances.

Trust - the key to mutual creativity

- **Confidence:** Trust creates confidence between partners that actions taken will serve both parties' interests.
- **Strategic alignment:** Trust creates the probability that a firm will understand its partner's actual strategic intent as it participates in the alliance.
- **Predictability:** Once strategic intents are aligned, it is easier for a firm to predict the actions that its partner will take as it encounters different situations requiring decisions to be made that will affect the alliance.
- **Synergy:** The companies - or teams within a company - can share their know-how to achieve synergy - results that exceed the sum or the parts.
- **Mutual creativity:** Trust frees partners to respond together to the unexpected, which is essential for mutual creativity.
- **Improved performance:** Trust fosters enthusiasm, ensuring the best performance from everyone.

Case: Joint engineering design by Ford and ABB

Intent on doing their firm's combined best through achieving synergy, Ford and ABB assembled a joint engineering team and charged members with blending their know-how to find an optimal solution to their cost, cycle time, safety, and other objectives. ABB people shared their knowledge about tech-

nologies and processes, while Ford team members contributed their experience with paint plants.

The joint team produced a design markedly different from anything that had been done before. It had a smaller footprint, a multistory rather than a one-story structure, a revised system layout, and a far cleaner internal environment - which made a big quality difference in finished cars.

Case: AT&T

AT&T entered into a strategic alliance with a much smaller credit card technology firm to develop a new credit card service. To ensure secrecy - to stay beneath the radar of their main competitors - so that the alliance could maintain a critical lead in the industry, companies established trust-based relationships and no contract was used for the first several months of this relationship.

During this same time, the firms worked collaboratively, sharing information and resources while relying on the character and goodwill of each other to guide the relationship. In examining this relationship, AT&T was more concerned with maximizing the opportunities of the alliance than with minimization of potential opportunism within it.

Case: Joint development of a new tool

"We must view relationships as a coming together that allows us to do something no other two parties can do, and that is to make the pie bigger, to our mutual advantage", writes John Browne, CEO of British Petroleum, in the corporate action plan for competitive learning.

British Petroleum wished to measure the effectiveness of their horizontal well drilling processes, but there was no available device to do so. BP pooled their intellectual and financial resources with Schlumberger, the oil field services company, to build such a tool. BP shared their rudimentary ideas on how to do this, and how development of such a tool would create a wonderful business opportunity for Schlumberger. It was agreed that Schlumberger would make the tool available to BP before offering it to everyone in the world.

"The result was that we got a tool that has taught us a lot about making horizontal wells even more effective, and Schlumberger got a new business", says John Browne. □



Negotiating tactics

Negotiating technology transfer

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Some of the most common tactics are discussed below:

- **Bad guy/good guy**

If a team decides to use this technique, its members will create a “bad guy,” who does not want to yield on any issue and who makes unacceptable demands, and a “good guy,” who makes reasonable proposals and acts in a moderate way.

In fact, the “reasonable” proposals of the “good guy” may also be unreasonable. The other party may accept them not because of their merit but because of their proponent’s tone, which made it seem he was “good” and his proposals more acceptable.

It is an old trick that plays on emotions and should be guarded against.

- **Divide and conquer**

This ploy selects one opposing negotiator whose views are more acceptable than those of the other opposing negotiators or, better, the opposing leader. The selected negotiator is then played up to and treated as a reasonable man.

The aim of this ploy is, of course, to provoke a division in the opposing ranks that isolates the team leader and eventually pressures him to make the desired concession.

- **Trial balloon/red herring/straw man**

All of these are variations of the same tactic, arguments presented not because they are believed, but simply to obtain information, to mislead, or to instill a false sense of confidence with respect to the other party.

A trial balloon is essentially an argument or proposal that the presenting party does not intend seriously to pursue or does not really expect to be accepted by the other party. Its purpose is to obtain useful information about the other party by observing their reaction to it.

A red herring is an argument or proposal that is really not relevant to the issue being argued. Its purpose is to divert attention.

A “straw man” is an argument or proposal so weak on its face that it can be easily destroyed. Its purpose is to give the other party’s negotiators a false sense of confidence making them less wary of what may be coming next.

- **Threatening a walk-out**

Threatening to terminate the negotiations is a tactic often used to gain an important concession. It can be successful if it appears the other party is under pressure to obtain the agreement being negotiated, but it can only be used once, or at most, twice, in any negotiation, however extended it may be. Like the boy who cries wolf too often, a repeated threat to walk out if a given point is not conceded loses its impact.

The tactic needs to be used very judiciously and only when the issue is so crucial that the party making the threat will not hesitate, if the point is not conceded, to carry it out.

- **Last-minute demands**

Last-minute demands are generally made by the home team after negotiations have been completed and the visiting negotiators, under the impression that they now have completed their work, are about to return to their home office.

The tactic is used in the belief that the pressure to accede to such a demand may be irresistible.

Standard terms, national practice/setting a precedent

A tactic commonly used by large multinational companies is to resist otherwise reasonable requests for charges by conceding their reasonableness but asserting they cannot be granted because the terms being offered are standard terms; or because they are in line with, and possibly even required by, national law or practice or because they would set a precedent that could force them to modify many of their existing agreements.

Usually, these assertions do not have much validity. The so-called standard terms are constantly revised by the companies themselves.

Quite often there are no conditions imposed by national practice, and the argument usually disappears if steps are initiated to check local regulations.

Certain requests may indeed set a precedent, but this is almost always irrelevant since no two sets of negotiations and agreements are identical.

The tactic may have merit, though, when a licensor already has existing licensees for the same technology. □