

Alliances: When more is not merrier

RESEARCH BRIEF

New research on global pharma multinationals shows where you place alliances inside a firm matters as much as how many alliances you sign. And, should you concentrate them or distribute them out?

Why it matters

In the age of global strategy, multinational companies are betting big on **alliances as an organizational structure** solution to fuel innovation and growth. Alliances can serve as an efficient means to supplement organizational capability. But new evidence reveals that the pattern of alliances within the firm—their concentration across subsidiaries—can **make or break** performance.

Should you cluster your bets in just a few units or spread them out company-wide? The answer isn't one-size-fits-all.

How we know

Using detailed data on **32** global pharmaceutical multinationals from **2000–2010**, the study tracked the concentration of alliances at the subsidiary level and **linked** them to financial performance.

Advanced statistical controls isolated the effects of alliance strategy from other corporate variables.

Now what?

To nurture the "right" alliances, we suggest doing these:

- ▶ Determine strategic value of each new alliance.
- ▶ Use annual strategic reviews to assess alliance distribution across the enterprise—don't let bottlenecks build.
- ▶ Design systems to share lessons learned across dispersed alliance managers before scaling up.

What researchers found

- ▶ Less is more—at first. Firms with a small alliance portfolio do best by **focusing partnerships** in a select few subsidiaries, where learning and coordination are easy.
- ▶ But too much good flips the equation. For firms with many alliances, concentrating them in fewer subsidiaries overloads local managers, causing bottlenecks, and ultimately drags down performance.
- ▶ *The lesson:* As alliance portfolios grow, it's smarter to **spread partnerships more evenly**—avoiding overcrowding and knowledge silos.

What this means

- ▶ **For strategy leaders:** Routinely audit where new alliances are managed. Favor tight concentration, but as portfolio complexity grows, rebalance it to avoid risk of overload.
- ▶ **For organizations:** Do not "set and forget" your alliance policy. Regularly revisit internal policies to keep up with growth and change.
- ▶ **For researchers:** Nuanced studies of internal alliance dynamics are needed to guide leaders through complex multinational strategies.

LINK TO THE STUDY

