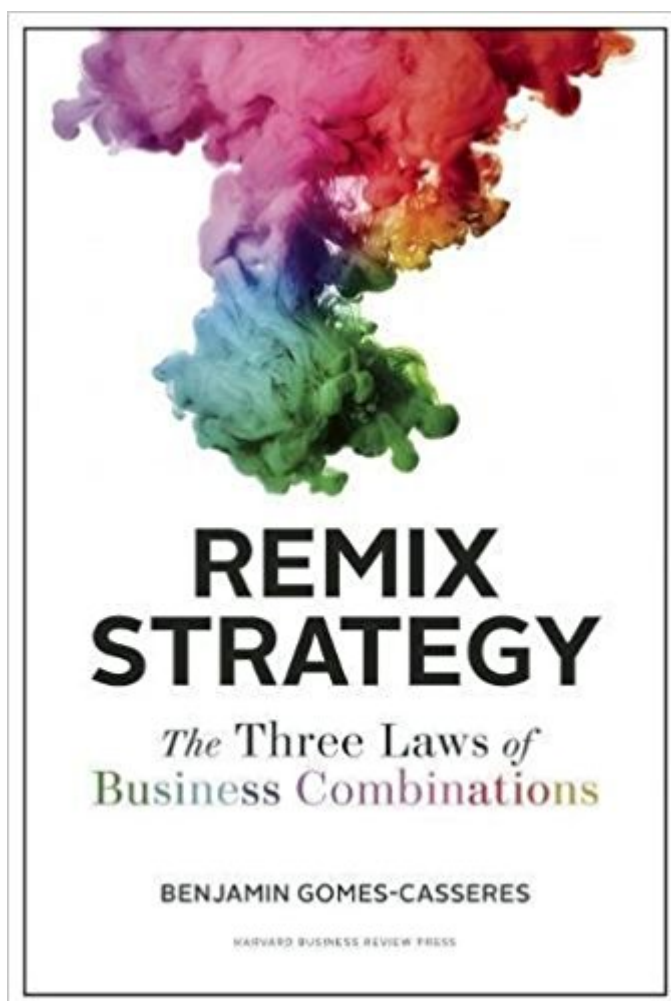


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# Remix Strategy: The Three Laws Of Business Combinations (Harvard Business School Press)



## Synopsis

Alliances, partnerships, acquisitions, mergers, and joint ventures are no longer exceptions in most businesses--they are part of the core strategy. As companies look to external partners for acquiring even strategic resources and capabilities, they need a practical road map for ensuring these relationships generate value. What combinations of resources do we need? How do we manage them over time? What profits will we earn? Will they justify our investments? Benjamin Gomes-Casseres shares insight from decades of consulting and academic research on how companies create new value by "remixing" resources with other companies. Organized around three laws, Remix Strategy explains how companies can gain the most from their business combinations:\*

First Law: The value created by the combination should exceed the total that would be generated by the players acting alone. How much more value can we create together in the market, together? What lies behind this "joint value"?\*

Second Law: The combination must be designed and managed to realize the joint value in reality. What partners and structures fit this goal best? How do we manage those elements that are the sources of the joint value?\*

Third Law: Each participant must earn sufficient profits to reward its investment. How do we divide the joint value? How might these shares change over time? Other books explain how to structure deals or how to navigate complexities of organization and culture. This book provides core principles and a practical framework for creating and capturing value, no matter the path chosen.

## Book Information

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## Customer Reviews

2016 Axiom Business Book Silver Award in ECONOMICS; a practical, up-to-date guide for business managers trying to keep pace or stay ahead; Strategic Alliance Magazine; Gomes-Casseres, a Brandeis professor, deconstructs both successful alliances; and unsuccessful ones; with the goal of helping any business leader increase the chances of making a partnership work. BizEd magazine; Remix Strategy provides an important set of tools for firms looking to build and manage new combinations of capabilities through new partnerships. Andrew Hargadon, Strategy + Leadership Advance Praise for Remix Strategy: Nigel Sheail, Head of Business Development & Licensing, Bayer Healthcare AG; Remix Strategy provides a clear framework focused on value creation that will support managers working with business combinations at all stages. An entertaining read that will benefit everyone working in business partnerships. Rosabeth Moss Kanter, Professor, Harvard Business School; author, MOVE, Supercorp, and Confidence; The ideas in Remix Strategy are creative, unique, and perhaps transformative. Today's dynamic, shape-shifting business environment requires companies to acquire, divest, merge, ally, and partner, whether to innovate or just survive. This useful book reveals the fundamental laws of collaboration that lead to success. Martin Fleming, Chief Economist and Vice President, Business Performance Services, IBM Corporation; A fascinating roadmap to creating and capturing value through business combinations. Gomes-Casseres provides the tools you need to identify, govern, and share joint value. Steve Steinhilber, Vice President, Industry Solutions Partner Ecosystems, Cisco Systems, Inc.; author, Strategic Alliances; A powerful paradigm for prospering in a rapidly changing environment, rooted in three critical tools to evaluate and develop strategic business options. Gomes-Casseres shows how these tools can be applied with practical, real-world examples. Russ Buchanan, Vice President, Worldwide Alliances, Xerox Corporation; Chairman Emeritus, Association of Strategic Alliance Professionals; The first book to explain the critical concepts behind successful business combinations; and provide immediately actionable insights. Mike Bellissimo, Enterprise Vice President, Humana Inc.; Whether you are an investor assessing the value of a business combination, a director reviewing the firm's alliance strategy, or an executive considering a partnership, Remix Strategy gives you the tools to understand and unlock value. Ashok Krishna, Vice President of Downstream and Chemicals Technology, Chevron Corporation; "A terrific book with lots of insights and management tools, valuable to business leaders everywhere." Cees Bijl, Head of Emerging Business Areas and Head of

Group Strategy and Alliances, Philips International BV; An excellent perspective on the role of alliances in strategy execution and ecosystem development. Gomes-Casseres's three fundamental rules equip leaders for a future in which collaboration between businesses is essential for survival. •

Benjamin Gomes-Casseres is an expert in alliance strategy and a professor at the International Business School, Brandeis University. He has been studying, teaching, and consulting on business combinations for thirty years. He is the author of two books, *The Alliance Revolution* and *Mastering Alliance Strategy*, and of articles, cases, and videos on how companies create value from external resources. To learn more about the ideas and tools in this book, visit [remixstrategy.com](http://remixstrategy.com).

Using practical examples, the author demonstrates the plethora of business combinations that can form the basis of your remix strategy. The concept of remix is widely used in the media world, combining bits and pieces from a range of media to form something new and exciting but it's also a great way to describe today's business combinations. The concept of a remix strategy is a brilliant articulation of the mixing of resources, assets and capabilities of one organization with those of another to create value. If you are involved in business combinations as an advisor or as a principal, you will find the management tools peppered throughout the book very helpful. The book explains how to achieve success with a remix strategy by following three important laws: #1 the value created by the combination should exceed the total value that would be generated by the players acting alone. #2 the combination must be designed and managed to realize this joint value. #3 each participant must earn a return sufficient to justify the investment. *Remix Strategy* combines both robust academic research and practical hands-on advice. Business combinations do not have a great track record of success but armed with these templates and rules, your odds of achieving value should be greatly improved.

This is great book, very practical guide for value creation in the modern global economy. Awesome job, prof. Gomes-Casseres. Dr. Nikola Perovic, Higher Colleges of Technology, Dubai

As Benjamin Gomes-Casseres observes in the first chapter, "Although the remixing of businesses is not a new phenomenon, we have not previously recognized full how to use it to advance strategy. The real issue is not whether you should be looking outside your walls for resources. The question is how are these ventures going to enhance your competitive position?"

How will they create value? And how are you going to capture that value? Whether you are at the top of the company driving the remix, in the middle managing an acquisition or a partnership, or among the operating ranks keeping the pieces humming, you need to know the answers such questions.

Gomes-Casseres offers a three-law framework within which to create, strengthen, and then sustain a successful business combination:

- First, it must have the potential to create an amount of *joint value* in that market that exceeds the total value that would be generated by the same resources without the combination
- Second, the way the combination is designed and managed must enable you to actually create the joint value
- Third, each party involved in the combination must earn a share of the joint value produced

a profit that provides the incentive for the party to commit its resources to the joint effort

Furthermore, you need to be mindful of the relationships between all of these laws.

Although Gomes-Casseres calls them laws, they are in fact realities, indeed necessities, that must be taken into full account. With regard to the process he quickly identifies the

- What, then devotes the bulk of his attention to explaining the
- How.

He also points out that it remains for each reader to determine what is most relevant in the material provided and then modify in ways and to the extent that are appropriate to the given enterprise.

Many (most?) organizations now face or will soon face a major challenge, in two parts: whether or not to combine internal and external resources; in that event, how to formulate a remix strategy to drive that combination and, meanwhile, make that strategy part of everyday business thinking and operations. It is important to keep in mind that a remix strategy will have a significant impact on decisions that must be made in five key areas: strategy, competitive advantage, governance, change and innovation, and ROI. Years ago, someone whose name is unknown to me suggested that managing computer programmers resembles herding cats.

Based on what Gomes-Casseres shares in this book, managing those who pursue a remix strategy would probably resemble herding kangaroos on steroids.

These are among the several dozen passages of greatest interest and value to me, also listed to suggest the scope of his coverage in Chapters 1-6:

- Why Business Combinations Are Now Vital (Pages 9-14)
- The Three Laws (14-21)
- How to Use the Three Law Model (22-23)
- The Relationship Spectrum (32-39)
- Visualizing Your Relational Footprint (48-50)
- Value Creation in Combination (56-59)
- The Five Main Sources of Joint Value (65-70)
- Divestments: The Mirror Image of Combinations (78-79)
- Three Relationship Models (87-93)
- Tools for Alliance Design (107-116)
- Rivalry Remains, Despite Collaboration (118-121)
- How to Manage Co-opetition (130-136)
- An Approach to Managing Your

Share of Value (144-147) o Competition Between Bundles of Assets (154-156) o Joint Value Potential in Constellations (158-172) o Governance of Constellations (172-186) Also, be sure to check out “Complete Collection of Remix Strategy Tools” (Pages 219-241). This material all by itself is worth far more than the purchase price of the book in which it appears. Of course, obviously, the value of the 20 management “Tools” will be determined almost entirely by how effectively they are used when mastered and adapted to the given situation.

In reality, every business combination involves complexities theater not covered by these tools “regulations, legal frameworks, cultural considerations, personal, cities, and the like. As you navigate these complexities, these tools will help you stay focused on the strategic goal of creating value for your business.” I cannot think off a better way to create value for a business than to create value for the clients and customers it is privileged to serve. Many years ago, when asked to explain the extraordinary success of Southwest Airlines, its then chairman and CEO, Herb Kelleher, replied, “We take great care of our people, they take great care of our customers, and our customers take great care of our shareholders.” When concluding his book, Benjamin Gomes-Casseres reminds his reader, “What matters most, though, is what you ultimately make of the ideas in this book. Recombine these ideas with your own and with those of outgrow [such as Kelleher]. The theme of this book applies not just to business strategy. Mixing and matching is a way of life in the arts, in invention and innovation, and in personal life. The real value of this book for you will emerge from your own remix.” There “s your challenge and, yes, your opportunity.

This book is both for practitioners in the field (which I am not) but equally so for those (like myself) who are interested in better understanding the aspects that are essential for the successful implementation of partnerships, alliances, mergers, and takeovers, as well as that of less formal cooperative ventures, that we see happening around us more and more. It “s a serious book that can be used by academics, corporate managers, and those who are active in mergers and acquisitions both to broaden understanding and serve as a guide for successful action.

Notwithstanding its depth, it is easy to follow and pleasant to read, with humor interjected at times. Technical books are often dull and boring, this one is not. The author sets out three basic principles (laws) that need to be followed to ensure success. He does so in great detail throughout the book and provides a powerful way to help you memorize the main foundations of success:  $1+1=3$ , meaning the combination must produce a value that is more than the sum of the values the entities can achieve separately;  $1+1=1$ , meaning the combination must be managed in a harmonious and

coordinated way as if it were a single entity; and  $1+1=1.4 + 1.6$  (or any combination for that matter), meaning both partners must make sure they get their fair share of the increased value of the joint venture. The book first underpins the rationale for the recommended approach on conceptual grounds and then provides an abundance of case study references to show why adhering to the three laws is essential for success and why not doing so led to the demise of various ventures. In my view, this is a must read for anyone who wants to deepen his/her understanding of the factors and forces that are essential to the success of business combinations in their many forms, and especially for anyone in corporate management considering cooperative ventures.

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