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This document summarizes:

Sampson, R.C. *R&D Alliances and Firm Performance: The Impact of Technological Diversity and Alliance Organization on Innovation* (working paper 2004) in *MIT Sloan Management Review* “Maximizing Innovation in Alliances.” Fall 2004: 5-6.

Rachelle C. Sampson investigates how to maximize innovation in research and development alliances. Sampson studied 463 telecommunications equipment industry research and development alliances, and found that the most innovative ones—assuming they already had the base level of ability and willingness to share information—had a specific level of technological diversity and organizational independence.

In her study, Sampson established diversity by looking at the extent of overlap between partner portfolios. She found that innovation—as measured through firm patenting—increased with more technological diversity up to a point and then decreased. Moderate diversity had nearly 14 times more patents than low diversity and 4 times more than high diversity. Adding organizational structure measures into her study made the effects even more pronounced. In moderate-level diversity, equity joint ventures, there was 35 times more innovation than contract-based alliances and 100 times more in high diversity firms.

Sampson’s analysis provides managers with clear data to examine when determining how to form alliances. She notes that organization and technological diversity is not an afterthought: “it is a critical strategic variable that can help determine how much bang and alliance delivers for each R&D buck.”