

ONLINE COUNTERPOINT 5.8

These options are not necessarily mutually exclusive. More 'cooperative' relationships may be fostered in order to exert more effective pressure to secure lower prices from suppliers. These relationships may also be fostered to ensure a continuity and reliability of supply at the same prices, thereby reducing the overall costs by cutting out disruptions associated with reliability problems.

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This view assumes that autonomy is necessarily an overriding objective and that this objective is consistently pursued through a process of rational calculation; It is likely that in many cases other considerations limit and compromise the pursuit of autonomy and its rational calculation.

ONLINE COUNTERPOINT 5.10

According to the TheRegister (http://www.theregister.co.uk/2006/11/20/microsoft_claims_linux_code/),

‘Microsoft CEO Steve Ballmer has said that every user of the open source Linux system could owe his company money for using its intellectual property. The statement will confirm the worst fears of the open source community.

Microsoft recently signed a deal for SUSE Linux, a Novell-owned distribution of the Linux operating system. The two companies pledged that they would improve the interoperability of their products. Open source advocates were amazed at the deal, but Ballmer’s comments could vindicate the suspicions of some.

Ballmer said in a question and answer session at a technology conference that Microsoft signed the deal because Linux “uses our intellectual property” and it wanted to “get the appropriate economic return for our shareholders from our innovation”.

Those claims to rights in Linux will set alarm bells ringing in the open source community. Some had argued that the deal was a sophisticated way of claiming rights over the software.

The deal involved a payment of \$440m from Microsoft to Novell for coupons which Microsoft users can redeem against support for SUSE Linux. A payment that now looks to be more important, though, is a \$40m payment from Novell to Microsoft, reported to be a pledge that Microsoft will not sue its users for patent infringement.

Ballmer was explaining the rationale behind that deal. “Novell pays us some money for the right to tell customers that anybody who uses SUSE Linux is appropriately covered,” he said, according to Computerworld. “This is important to us, because we believe every Linux customer basically has an undisclosed balance sheet liability.”

The comments will provoke fury amongst open source advocates who believe that Microsoft has no claims at all on the intellectual property contained in Linux.

In explaining the deal before Ballmer’s comments, Roger Levy, vice-president of open platform solutions at Novell, told a Paris press conference that the deal solved a problem which was costing both firms money.

“Customers were afraid they’d get sued if they crossed platforms and this meant that they were hesitating on buying decisions,” said Levy. “As part of the deal Microsoft will agree not to sue our customers and we agreed not to sue their customers. This is not an agreement between companies – we can still sue each other for any number of reasons – but ultimately our respective customers needed peace of mind to make decisions.”

Red Hat, which also distributes commercial versions of Linux, refused to sign a similar deal with Microsoft. Red Hat “does not believe there is a need for or basis for the type of relationship defined in the Microsoft-Novell announcement”, deputy general counsel Mark Webbink told news agency Bloomberg in a statement.’

ONLINE COUNTERPOINT 5.11

Such collaborations can equally be seen as an extension or confirmation of resource-dependency theory as organizations increase their power, or reduce their dependencies and vulnerabilities, by engaging in forms of alliance and collaboration.

ONLINE COUNTERPOINT 5.12

It is relevant to stress that this describes a `model' of collaboration. It does not indicate the difficulties in establishing such a model and making it work. Ultimately, collaborations are entered and maintained because each party anticipates gaining benefits from it that outweigh the costs. Securing these benefits involves placing pressure upon partners to deliver what is sought. Relationships between partners are themselves not ones of equal power. As a consequence, power imbalances influence how business is done between partners.

ONLINE COUNTERPOINT 5.13

While large organizations, such as McDonalds, struggle to adapt rapidly - for example, to changing fashions and food preferences - they also command massive resources to shape fashion and preference through marketing campaigns.

ONLINE COUNTERPOINT 5.14

According to the New York Times,

(Genentec's drug) Avastin costs about \$4,400 a month for treatment of colorectal cancer. But twice as much of the drug is needed for lung cancer, bringing the cost to \$8,800 a month, or more than \$100,000 a year.

The prospect of a \$100,000-a-year drug made Genentech the target of fierce criticism from some doctors, patient advocates, the news media and politicians. Some doctors said patients were already forgoing use of Avastin and some other drugs so they would not deplete their family's assets in an attempt to gain a few more months of life.

Rather than cut the price across the board, Genentech opted for the expenditure cap, which it called the first of its kind in the pharmaceutical industry. The \$55,000 ceiling would be for total spending by all payers — Medicare, private insurers and the patient — and not just for a patient's out-of-pocket costs...'

It is not clear whether Genentech's move will mollify critics. Jerry Flanagan, health care policy director at the Foundation for Taxpayer and Consumer Rights, a consumer group in Santa Monica, Calif., said that Genentech "cannot expect that this will appease patients that are being priced out of life itself."

He noted that the clinical trial used to win approval for the use of Avastin for lung cancer was paid for by the National Cancer Institute, not Genentech. "Now taxpayers who paid for the drug are being asked to pay again at the pharmacy," he said.

Mr. Moore of Genentech said the government paid "only a sliver" of the overall costs of developing Avastin.

Dr. Richard Gralla, president of the New York Lung Cancer Alliance, a patient group, said that Avastin's use in lung cancer is not cost-effective for society as a whole because of the very high expense required to extend life for such a short time.

Geoffrey C. Porges, an analyst at Sanford C. Bernstein & Company, said the expenditure cap "allows Genentech to have the spotlight taken off them and just have it directed to someone else."

In the third quarter of this year, Genentech's sales of Avastin were \$435 million, up 34 percent from the 2005 quarter.

Extract from New York Times article 12 October 2006 by A. Pollack, 'Genentech Caps Cost of Cancer Drug for Some Patients

[http://www.nytimes.com/2006/10/12/business/12drug.html?n=Top/News/Health/Diseases,%20Conditions,%20and%20Health%20Topics/Avastin%20\(Drug](http://www.nytimes.com/2006/10/12/business/12drug.html?n=Top/News/Health/Diseases,%20Conditions,%20and%20Health%20Topics/Avastin%20(Drug)

ONLINE COUNTERPOINT 5.15

It may be that Tesco executives assume or calculate that customers will continue to shop at its stores if it offers better value for money than its competitors, irrespective of whether some of its practices are regarded as illegitimate. What people may think (e.g. 'Tesco is a bully') and what people do (e.g. Tesco remains the preferred place to shop) are not necessarily the same. Europeans continue to use Ryanair, the budget airline, despite complaints about its practices.

ONLINE COUNTERPOINT 5.16

If an organization lacks resources, then departing from established models can be highly risky. But, of course, taking this risk may also be highly rewarding if it either fills an opening niche, creates a new demand or adds to the opening up of a favourable niche.

ONLINE COUNTERPOINT 5.17

Instead of regarding resource-dependence and collaborative-network as competing theories, it is possible to regard the latter as an extension of the former. In this way, the collaborative-network perspective illustrates how companies endeavour to control their environments more effectively by collaborating with other organizations. In resource-dependency theory, 'autonomy' is not an end in itself but, rather, a means to profitable growth. When it is believed or calculated that there is a more effective way of reducing dependency, some measure of 'autonomy' will be sacrificed.