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The Harper Report:

Four Steps to Powerful Strategic Alliances

Strategic alliances come complete with their own special set of advantages and challenges. Certainly the benefits of gaining access to knowledge, skills, and systems your organization doesn't have without an equity investment makes these relationships compelling – especially given the rapidly changing business environment. Yet numerous studies indicate that less than 50% of all strategic alliances live up to original expectations. The good news is that there are enormous opportunities for improved outcomes. Recognizing and adapting to the unique characteristics of each alliance can dramatically increase the likelihood of powerful results for everyone involved.

Can this relationship be saved?

Even well conceived alliances can run into unanticipated challenges. Consider the following case:

A high-tech company (HTC) created a strategic alliance with a manufacturing company (MC) to develop a new product. Both partners considered the potential for success extremely high, as each was considered a market leader in its respective industry. The management teams of both organizations conducted the necessary due diligence and secured contracts from each other. Everything seemed in place—until the kickoff meeting.

While the alliance objectives were clear, the participants soon discovered that they couldn't agree on how they were going to work together. Representatives of the MC, used to working under highly structured project management guidelines, immediately put together detailed steps, a timeline, and measurements for success. On the other hand, the HTC representatives, accustomed to freewheeling interaction and frequently changing directions, resisted this approach to managing workflow and insisted on using their more fluid scheduling system.

> "Recognizing and adapting to the unique characteristics of each strategic partnership can dramatically increase the likelihood of success."

The MC approach "won"; however, the established steps, timeframes, and measurements soon became irrelevant as mile-stones were repeatedly missed and goals were dropped. Within six months, changing priorities at both the HTC and the MC made it difficult for alliance team representatives to devote the necessary time and resources to product development efforts. The alliance ended, with each company blaming the other for the poor fit.

Can scenarios like this be avoided? The answer is a resounding "yes." Here are four steps that can lead to high performance results in many types of alliances, whether they are structured loosely or are developed as highly committed joint ventures.

#1: Define and communicate your alliance strategy

Many organizations create detailed process guidelines for how to design strategic alliances. However, we've found that with fast paced demands and proliferating opportunities, it's easy for individuals and groups to lapse into an *ad hoc* approach if they aren't kept aware of the company's strategic priorities. That's why it's more important than ever to develop and share a clear, real-time alliance strategy that describes the general types of alliances that your company is seeking, what is already in place, and criteria for selecting partners that best fit current needs. Communicating this information consistently across your organization also ensures that alliances are not inadvertently duplicated in different parts of the company.

Before making the decision to seek an alliance, it's critical to understand how the relationship could impact employees, suppliers, and other external stakeholders. Issues to consider include:

- Could an alliance with our supplier's competitor alienate our key supplier?
- Do we have the resources and employees with the necessary competencies to properly manage an alliance?
- Are we willing to be flexible to the regulations and cultures of different countries?

When considering prospective partners, determine the fit of an alliance with your company's vision, mission, and company strategy. This can provide you with a way to determine how likely it is that the needs of both parties will be in alignment when other priorities threaten to divert time and resources away from the relationship.

The clearer your alliance strategy, and the more that all who could be forming alliances understand current needs, risks and benefits, and the degree of fit between your organizations, the more likely it is that your company will choose appropriate partners and that each relationship will get the consistent attention and support it needs to thrive.

> "Before making commitments, determine the fit of an alliance with your company's vision, mission, and large-scale strategy."

#2: Develop a shared strategy

Unlike outsourcing arrangements, which are client-centered, or mergers, where one company tends to dominate, alliance partners are equal in power. Each company is an independent entity with its own objectives and guidelines. To be successful, the partners must consider, "What's in it for them?" as well as, "What's in it for me?" This comes from understanding how the vision, mission, values and strategies of both companies fit together.

As executives of the HTC–MC alliance learned, each company is ultimately governed by their own priorities, which can change quickly and dramatically. To prevent these situations from causing gridlock down the road of execution, it's important for executives from both companies to insure that the relationship kicks off at the executive level to ensure that there's alignment about the specific high-level objectives and governance of the alliance. This includes expectations from the alliance partners, company roles, sharing intellectual capital, and measurements to determine success. The joint strategy session mirrors the same process as developing your own company's strategy, with additional questions such as:

- What are our goals—both individually and jointly?
- How will we measure success?
- How will we make critical decisions?

The more that executives from both companies are involved and aligned on these issues, the more likely it is that proper physical and human resources will be allocated to the alliance on a consistent basis, and the faster the alliance can progress toward its objectives.

> "Each strategic alliance relationship needs to be individualized and executed according to its own set of guidelines."

3: Build a bridge to "Our Way"

As executives of the HTC–MC alliance learned after they joined forces, managers and employees in alliance teams often have to develop new skills and work differently than they do when focusing within their own organizations. Rather than managing projects "my way" or "your way," alliances must build a bridge to "our way."

Just because a set of alliance procedures worked well with one partner does not mean they'll work the same in another relationship. Executives who try to clone policies and practices and make them fit in every instance are setting themselves up for disaster.

Very often, the formal culture (values, beliefs, and practices) stated in a company's official documents and speeches are not reflected in their informal culture (what really happens). For instance, if a company's formal culture promotes empowering employees to make decisions, but the informal culture reinforces the need for multiple levels of management approval to change procedures, employees may have a difficult time getting things done in the alliance. Developing a sense of the dominant features of a partner's informal culture can powerfully enhance your ability to adapt to values and influences that might otherwise undermine the alliance's implementation.

Paving the way to high-performance alliances requires cultural acumen as well as flexible policies and systems that enable the alliance to stay nimble in response to constantly changing conditions.

4: Evaluate and adjust

As alliances progress, they frequently run the risk of taking on lives of their own and evolving away from their original objectives. That's why it's essential to establish frequent checkpoints and milestones to evaluate your efforts and to rethink the alliance's purpose. At these times, leaders from both companies need to review the results to date and compare them to the success criteria they established during the joint strategy session. Keep focused on the intent of the alliance, but be prepared to modify your agreement and processes if necessary.

The results from this evaluation also can impact each company's own strategy. For example, one consumer products company found that its plans to acquire a competitor conflicted with an agreement they had in place with a key alliance partner who was marketing their products. The acquisition subsequently had to be called off. Some revealing questions to ask at alliance reviews include:

- What's going well and why?
- What strategic and organizational changes have taken place in each company that could impact this alliance?
- What knowledge and skills do we need to develop to advance our objectives?

- How do we need to adapt policies and systems to accomplish our goals?

"Recognizing and addressing strategic and organizational issues at each stage of the alliance process dramatically increases success."

As the alliance agreement gets fine-tuned, continue to evaluate the results. The more checkpoints you allow for in the plan, the less likely it is that problems will spiral out of control.

Each of these four steps supports the critical essence of successful strategic alliances: recognizing and addressing both strategic and organizational issues that occur at each stage of the strategic alliance process. This happens individually and collectively with the partner you've selected.

By establishing your own alliance strategy and working with your partners to jointly develop and nurture the alliance strategy and operating plan, you lay the foundation for a mutually beneficial relationship. Partners can develop approaches for working together and co-developing opportunities that extend their mutual reach while serving their individual interests. The result will be a flexible and collaborative relationship that accomplishes more than what any one company could achieve alone.

About the authors:

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