The Ten Stages of Successful Strategic Alliances

Corporate partnerships resemble marriages in many respects – including an unfortunately high failure rate.

The number of companies establishing strategic partnerships is growing all the time. According to **Greve, Rowley and Shipilov**, companies around the world formed nearly 42,000 alliances between 2002 and 2011. **Steve Steinhilber** cites a report claiming that more than 2,000 strategic alliances are launched each year and the number is growing at 15 percent per annum.

This is not surprising because partnerships can have significant cost and speed advantages over the alternatives: to buy or build. When they work, they bring significant value, with lower costs and shared risk. For example, partnerships help companies to:

- Increase the speed of innovation and new product/service development
- Accelerate growth (for example, by opening new markets or creating opportunities to sell to new customer segments)
- Rapidly respond to changing market needs
- Access new capabilities or talent

Despite their popularity, 60 to 70 percent of alliances fail, according to **Jonathan Hughes and Jeff Weiss**. Many partnerships don't completely fail but struggle along the way, never realising the expected benefits. Very few companies build alliances consistently well and achieve their business plans. The discipline of alliance management has been well studied and there are plenty of "how-to" guides available. My favourite work on the subject is Rosabeth Moss Kanter's sometimes tongue-in-cheek but mainly poignant analogy between **strategic alliances and marriages**. There are various humorous yet realistic parallels.

So, looking across the alliance lifecycle from courting to successful married life, here are my top tips for achieving corporate marital bliss.

Courtship and tying the knot

1. Be selective and faithful (make sure you find "the one"). Perhaps surprisingly, some companies become infatuated with a potential partner and try to strike a deal without a sound business rationale, no matter the cost. To avoid this trap, it's critical that companies develop partner selection criteria tied to the business problem or opportunity identified. Beware that several potential partners will meet *some* of your criteria. Don't settle for second best. Try to find that partner that satisfies *all* of the most pertinent criteria. Once you've found "the one", don't be tempted to add more partners to multiply your success; this strategy rarely works. It's better to be faithful and concentrate on making fewer, stronger alliances.

2. Find a win-win (the whole should be greater than the sum of the parts). Kanter refers to **the importance of an interdependence** where neither party can accomplish alone what both can do together. Steelcase, a leading global office furniture company, recently formed a partnership with Bolia.com, a top Scandinavian furniture designer. Steelcase did not have Scandinavian design and Bolia did not have business-to-business distribution. This combination created a growth opportunity for both organisations that neither could have achieved alone.

3. Ensure leadership alignment (make sure that the chemistry is right). While the selection criteria are quite rationale in nature, the more emotional sense of attraction is just as important, especially between senior counterparts. If the chemistry is strong, the partnership is more likely to endure difficult times. When there is little chemistry, there is little resilience and a much greater risk of falling, even at the slightest hurdle.

4. Create a simple contract (exchange vows but keep it simple). The conventional wisdom has been to put in place a detailed contract covering as many eventualities as possible. As the pace of business accelerates, developing such detailed contracts makes less sense. They take too much time to devise and do not inspire confidence between the partners. The best contracts are shorter, focusing on the critical aspects of the partnership and allowing wriggle room for the collaboration to evolve organically or for the partners to part ways.

The honeymoon phase

5. Invest alongside one another (demonstrate your devotion). Early investments show each partner’s commitment. Think of it as a young couple sharing the burden of the deposit to buy their new home. These investments should be in proportion to the return that each partner expects to gain. Investments won’t always be in cash. One or both sides might invest by temporarily seconding resources with specialised know-how to get the partnership off the ground.

6. Push connections deeper into the organisations (get to know the extended family). After the formalities of getting hitched have taken place at the highest levels, it’s critical to forge connections deeper in the organisations. Partnerships can be romantic but if the extended families don’t get along, watch out!

7. Balance leading and lagging indicators (don’t rush to judgment). At the early stages of any partnership, it’s important to be clear on the partnership’s objectives and business plan. But these hard targets are typically lagging indicators whose evaluation takes time. In the honeymoon phase, it’s more important to focus on the leading indicators of a successful partnership. For example, do both sides understand the business plan? Is information flowing easily between the two organisations? Is there a clear process for escalating issues? Hughes and Weiss talk about the need to develop goals pegged to alliance progress rather than to hard financial targets only.

Real life sets in

8. Deliver on your end of the bargain (live up to expectations). Ensure that you bring whatever you said you’d bring to the table. Kanter refers to “individual excellence” and “building on your strengths”. Steelcase partnered with Officebricks, a manufacturer of acoustic cabins for open plan spaces. One of the reasons that Steelcase chose Officebricks was its industry-leading acoustic performance. Officebricks has continued to build on this strength and plans to launch a new product for Steelcase with even better acoustic absorption ratings.

9. Blend formal governance with informal collaboration (keep communication lines open). While long-distance marriages are not that common, long-distance corporate alliances are. This distance makes formal governance structures like alliance steering committees and operational management teams essential. But fluid and regular informal communication can be even more critical, enabling real-time, daily alliance management and issue resolution.

10. Be open to different ways of collaborating (always keep your relationship fresh by trying new things). Entering into a partnership is like taking an option on future collaboration potential. Unless you keep an open mind, you never know where the next opportunity to work together will come from.

Partnerships are fragile

A wise colleague once told me that partnerships are fragile. There must be a balance of give and take. Partners should learn and teach. Differences should be respected because they are why the partnership was formed in the first place. Perhaps a lack of awareness of this fragility is what leads most partnerships to fail. By focusing on the success factors identified above, your partnership will become more resilient and create value for the customers it was built to serve and, in turn, for the partners that created it.

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