



STRATEGIC ALLIANCES THAT SUCCEED

BY KALI SAPOSNICK



The Strongest Link
by Gene Slowinski and
Matthew Sagal

The compelling question on most business managers' minds today is how to gain market advantage. How can we take advantage of technological advances? How can we make better products more quickly and cheaply? How can we access new channels and broaden our customer base? One answer executives are increasingly turning to is strategic alliances.

Entering a joint venture to the mutual benefit of two or more partners seems a natural solution in our global economy, yet numerous studies show that 70 percent of all such alliances fail. In their newly released book, *The Strongest Link: Forging a Profitable & Enduring Corporate Alliance* (Amacom, 2003), Gene Slowinski and Matthew Sagal assert that most alliances break down because of problems with design and implementation. According to the authors, many shouldn't have been formed in the first place, but few managers are experienced enough in business development to know when a deal supports the strategic objectives of both firms and when they should stop negotiations.

Instead, executives plan and arrange complex business structures without understanding issues such as sophisticated intellectual property rights, the subtleties of "exclusivity," the traps of termination provisions, and the nuances of financial models. They focus on the "fun stuff" and leave the "deal-killers" until the end, when it's difficult for both sides to walk away. As a result, negotiators

typically craft fatally flawed partnerships, which they then pass off to implementers inexperienced in coordinating and integrating the resources of distinctly different organizations.

The Alliance Framework

How can organizations that walk the slippery slope of alliances join the 30 percent that thrive? The authors have developed a practical roadmap to creating successful joint ventures, which they call the Alliance FrameworkSM.

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Based on extensive first-hand experience and research conducted on more than 50 organizations, this six-step process, when used by both sides in an alliance negotiation, helps potential partners anticipate and work through common pitfalls in both the planning and execution phases of the venture, thus laying a strong foundation for success (see "The Alliance Framework Process").

One reason the framework is so powerful is that it takes a systemic approach to effective collaboration. It:

- Advocates the building of a well-balanced team with appropriate expertise and diverse viewpoints.
- Provides an iterative process for integrating the voices of multiple stakeholders, to create shared understanding and alignment for the venture.
- Allows players to look at the interdependent relationship of the pieces in the alliance to determine whether it is linked to the strategy of both partners.
- Calls for leadership to offer prudent support throughout the process.

In part one of the book, the authors take readers through a detailed examination of the process, identifying factors along the way that could indicate potential flaws in the deal. Drawing on the stories of their clients, including Battelle, AT&T, Eli Lilly, and Procter & Gamble, they show how to successfully negotiate each phase. In part two, Slowinski and Sagal outline a program for implementing an alliance, providing strategies for defining roles and establishing processes; tools for managing and overcoming conflict; and detailed metrics for determining the effectiveness of the alliance and identifying opportunities for improvement.

The Intricacies of Success

The authors' overarching advice is not to create too many alliances but to master the intricacies of what it takes to make a few very successful. "If alliance creation and management becomes a core competency of multiple firms in the same industry, the power of the entire network will emerge," they conclude, and the possibilities for new markets and technologies are immeasurable. ■

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THE ALLIANCE FRAMEWORK PROCESS

Step 1: Appoint the Planning and Negotiating Team.

Step 2: Achieve Internal Consensus.

Step 3: Approach Potential Partners: The Strategic Fit Assessment.

Step 4: Conduct a Resource Fit Assessment.

Step 5: Select the Partner.

Step 6: Negotiate an Agreement.