Building a Strategic Business Alliance

(OVERVIEW ONLY)

Alliance Partner's Workbook & Management Manual

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*'Working together to create business productivity & growth –
It begins with the quality of the relationships and developing
high trust with each other'*

*'People first, product second and profit third. People come first.
Unless you have a good team, you can't do much with the other two'*

Lee Iacocca

Alliance: 1. An agreement or pact between two or more entities to achieve a particular aim

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Context

Due to changing economic conditions and the nature of living in a networked world the attention of the logistics world is moving toward innovation through collaboration, interconnectedness and interdependency.

Today's world is more focused on innovation as a growth strategy than the past and this revolution in the world is also a major challenge for the logistics industry.

Forming alliances with other entities is one way to increase value.

However, many companies form relationships purely on the basis of transactional gain and find that their alliances have not been thought through properly to minimise risk and make the most of the opportunities.

Having a systematic and disciplined approach to forming alliance relationships is critical for their success.

This discipline involves:
Making the right connections in a complex system

Building mutually beneficial relationships with the right connections within a system.

Extracting and realising the 'hidden value' that lies within and between connections

Structuring the relationships in the right way for transformational growth.

The alliance building discipline outlined in this service offering has proven successful in enabling companies and other organisations to establish effective alliances across a range of industry sectors.

What follows is an overview of the alliance building process.

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1.0   MODULE OVERVIEW

In this module, we will guide you through a structured conversation that will help you ascertain the value of forming alliances for yourself and your business. It will show us what we need to do to be an effective alliance partner and have a successful business alliance.

At the end of this guided conversation, you will be able to include this kind of thinking into your own life and your own business and it will help shape your strategic objectives.

Within this module, you will find the following:

1. Background information on building an alliance and the function that it serves in building capacity into both your own business and the other businesses that you are in relationship with.

2. An outline of a step-by-step process to use in building a strategic business alliance.

3. An instruction guide to use as a handy reference in completing the step-by-step process.

4. A discussion of what comes next.

2.0 BACKGROUND INFORMATION – CONTENT

2.1 Introduction

This module has been designed and developed on the rationale that people are at the heart of the alliance building process. The person comes first.

This is where we start. How disciplined in our thinking about this and how supportive we can be in enhancing the quality of our relationships determines the quality of our outcomes.

Likewise, the quality of our alliance relationships will influence and deepen our own sense of mutual purpose. As we clarify our sense of purpose the quality of our relationships will in turn gain in strength by building trust.

These two dynamics, interacting with each other, create momentum and energy that ensures we will deliver better results for ourselves, more quickly.

2.2 Relationships are Key

Alliance relationships are complicated and complex. The more people there are in an alliance, the more complex and complicated those relationships become.

If we desire to build such relationships, we will benefit immensely from exploring and understanding the attitudes, the behaviours and the skills required to maximise their power.

In this program, we focus on these capabilities in three areas: as individuals, as practiced in our business and then as they are experienced in the alliance partnership itself.

When taken seriously, alliance relationships, demand rigorous thought and analysis; therefore, we must continually assess our performance as individuals, as a business and as an alliance.

By consistently monitoring how we are going, between and with each other, we are able to prevent or overcome many of the potential problems that may be caused by any misconceptions we might hold about each other.

By continually turning up the spotlight on the alliance relationship and proactively managing the issues that arise for us, we will ensure that we make the most of the opportunities that alliance thinking and practice have to offer us and we will reap the benefits and prosper from working with others in this way.

Once we have established healthy alliance relationships with each other, they will influence our own business environments in very positive ways. These energising relationships will have implications for our own behaviour and our own business operational activity, and they will stimulate and enhance our own business improvement initiatives.

2.3   Reasons for Forming Alliances

The most common reasons for proceeding with a strategic business alliance from a positive perspective are:

- To harness the alliance partners' energy and knowledge
- To set an industry standard through alliance involvement
- To learn something
- To gain economies of scale
- To reduce risk
- To gain speed and adaptability

On the other hand, we may see strategic alliances from a more negative perspective, as in the situation where:

- Alliances are forced upon us to maintain business survival
- Mergers and Acquisitions are too expensive to undertake or not feasible
- They are the only financial alternative
- The company fears being bought out
- Alliances prevent a competitor's acquisition of an alliance partner
- Closing the business is too expensive – becoming part of an alliance then becomes part of an exit strategy

To be clear about our involvement in a strategic alliance, we must align our own business cultures, know what we want to achieve, outline our objectives, and ensure that our objectives are compatible with those of the alliance.

We must structure the alliance properly and manage it effectively in keeping with its purpose. A sobering thought here is that most alliances fail. Research has shown that only 40% of alliances succeed. 60% fail.

(Anderson Consulting). On the positive side we know that successful business alliances increase their return on investment 10% to 15% per annum. (Booz, Allen & Hamilton).

2.4   The Purpose of an Alliance

The purpose of an alliance is to leverage what we bring to the table to achieve a greater return than that which could be reasonably expected to be achieved when we simply go it alone.

In keeping with this purpose it is critical that we are clear about what we bring to the table and what we do **not** bring to the table in forming an alliance agreement with our alliance partners.

2.5   Determining The Kind Of Strategic Business Alliance We Want

There are many different ways of structuring alliances, from the simple to the complex.

These range from licensing agreements and shared marketing deals, as basic kinds of structures, through to cross-ownership, joint ventures, and cooperative projects between partners.

Faced with a range of choices, we must make a decision about the kind of alliance we want and get the advice required to structure it in keeping with what it is that we want to achieve and ensure that it is negotiated with alliance partners and reflected in the wording of any formal alliance agreements.

2.6   Alliance Agreements

Alliance agreements should be clearly articulated in writing, as this framework becomes a way of ensuring proper governance at the alliance level and assists in ensuring that we have shared meaning, that we are transparent and that we are making conscious decisions that are traceable and rational to all our alliance partners.

Formal alliance agreements are written in keeping with the values base that we have agreed to in developing our platform of governance.

The final alliance agreement and its development along the way will help us to decide whether we want to be in the alliance or not. It must be positive to us from a cost/benefit perspective in a whole of business way, or our prospective participation in the alliance will be undermined.

The final formal agreement should be documented in keeping with the wishes of the alliance by the relevant professionals.

2.7   Our Expectations

Once the strategic business alliance has established its own governance framework and has all of the structure, processes and systems in place, it has the potential to deliver deep change at every level of own thinking and behaviour, as well as the thinking and behaviours of our business.

In an effective business alliance, this will be a very positive experience indeed, for all of us, as we deepen our connections with each other and find new ways of collaborating together.

We will all benefit immensely from each other in an ongoing cycle of mutual learning that will deliver new insights and generate creativity. This will translate into new ways of doing business together and afford wonderful benefits for us all, both financially and relationally.

3.0 BACKGROUND INFORMATION – PROCESS

3.1 Alliance Readiness

Alliance readiness is the assessment of a business to engage in and undertake its role and contribute as a fully functional alliance partner.

There are a number of things that we need to have in place and/or manage in terms of Motivation, Capability and Opportunity, within our own business, if we are going to add value to and accrue benefit from our alliance involvement.

Key Attributes of Alliance Readiness

- Business Mission, Vision and Values & Expected behaviours
- Strategic Business Plan
- Positive and Open Business Cultures

3.2 Alliance Feasibility

The feasibility of forming a Strategic Business Alliance is the positioning of a business through relationships with other like-minded businesses to achieve a clear, mutually agreed strategic purpose.

Initially when we are starting out, we tend to see alliances as a purely transactional relationship, most commonly in the form of a joint venture, and we want to enter such relationships because of what they can do for us in building connections, creating opportunities for collaboration and making more money ourselves. This is a legitimate approach.

We would suggest however, that as we enter deeply into such relationships, the opportunities for transformational relationships or deep change can occur in a whole range of activities that are mutually beneficial to us personally, our business and our strategic alliance partners, as the level of trust grows between us and we open ourselves up to such ongoing development.

Key Attributes of Alliance Feasibility

- Demonstrable high levels of trust between alliance partners
- Common platform for effective communication
- Commonly shared decision making – issue resolution practices

3.3 Alliance Compatibility

Strategic Business Alliance compatibility analysis and the value of our partners' contributions are determined by comparing them against our business, its culture, strategic direction and the benefit afforded to our customers from being in such an alliance.

In most cases, these relationships are defined by contractual arrangements and are seen to be important in achieving strategic objectives.

However, keeping in mind that we are dealing with each other as people and we have to get on with each other well, we do well to determine compatibility across all three domains and all elements within those domains.

Strategic business alliances are not simply another business methodology that can be imposed like a new cost accounting scheme. We need to build the attitudes, skills and behaviours that create effective business alliances over the agreed time frame.

Key Attributes of Alliance Compatibility

- Must be aligned with our individual business's Mission, Vision and Values
- Must have business cultures which are in keeping with the way we conduct our business
- Must have leadership and management approaches that are complementary

3.4 Alliance Governance

Depending on what we arrive at in terms of our decision about building a strategic business alliance, the specifications that we articulate in our design work together will determine the structure of the alliance.

Some examples of structures and combinations that have been used successfully in driving the strategic alliance agenda include:

- Joint Leadership Team (Strategic)
- Joint Management and multi-level team based (Operational & Continuous Improvement)
- Cross organisational/cross functional (Operational & Continuous Improvement)

These types of structures provide the means of providing and developing the capabilities required in leadership, governance and policy, strategic intent, investment of resources, risk allocation, communication and performance.

Key Attributes of Alliance Governance

- Alliance Mission, Vision, Values and Expected behaviours aligned and coherent – fully documented
- Strategic Alliance Business Planning process clear and transparent – fully documented
- Effective leadership and management capabilities identified and implemented

3.5 Alliance Leadership

Leadership within the alliance will need to be determined. Analysis in this step will determine the 'natural' leader that is emerging in the alliance at the strategic level. This emergent leader will be energised and will demonstrate clarity of focus, will be building alignment and driving the processes with a sense of urgency.

This person will be modelling the behaviours that are needed to take the alliance toward its Vision.

Key Attributes of Alliance Leadership

- Strength of character
- Inspirational with a high level of personal drive and energy
- Competent and acts with integrity

3.6   Strategic Alliance Building - Preliminary Assessment

Using a 5-point scale, please answer the statements about your alliance building willingness and preparedness.

The ratings ask you to choose the more likely you see yourself as being – So please circle whole numbers only. Do not put in a 2.5 for example. Thank you!

Section One Preliminary - Assessment

1.   I am a future focused energetic person

Strongly Disagree   **Strongly Agree**

            1   2   3   4   5

2.   I am an open and transparent person

Strongly Disagree   **Strongly Agree**

            1   2   3   4   5

3.   I am a collaborative results focused person

Strongly Disagree   **Strongly Agree**

            1   2   3   4   5

Section Two Preliminary - Assessment

1.   Participating in this alliance enables my business to grow

Strongly Disagree   **Strongly Agree**
            1   2   3   4   5

2.   Participating as a business in this alliance is worth the investment

Strongly Disagree   **Strongly Agree**

            1   2   3   4   5

3.   I am clear about the results we want as a business by being in this alliance

Strongly Disagree   **Strongly Agree**

            1   2   3   4   5

Section Three - Preliminary Assessment

1.   Our industry supports alliance building activity

   Strongly Disagree   **Strongly Agree**

         1   2   3   4   5

2.   Our markets are such that we benefit from working in alliances

   Strongly Disagree   **Strongly Agree**

         1   2   3   4   5

3.   We know what the external enablers and the barriers are to alliance building

   Strongly Disagree   **Strongly Agree**

         1   2   3   4   5

Interpreting the responses

Our answers to these simple questions give us a quick indicator of our own preparedness and willingness to build a strategic business alliance.

In our discussion we will ascertain what these scores may mean. This Preliminary Assessment tool enables us to establish some baselines, provides us with a diagnostic and it also acts as a filter to establish some threshold scores for moving ahead. (Scores of 4 and above are what is expected of high performing alliances).

If the total Preliminary Assessment Score is less than desirable, then we would be wise to reconsider entering an alliance building exercise at this point, as some preparatory work may need to be undertaken before we enter a strategic alliance building project.

We may want to revisit this decision say in three months time and repeat the process.

If our scores meet our established thresholds then we should proceed to explore and analyse: Alliance Readiness, Feasibility and Compatibility.

Memory Jogger

Jot down any other thoughts, ideas and or things you want or need to do that crossed your mind while you were answering the questions or reading the information in this section.