Building Business Alliance Competence

Corporate alliances are taking the world by storm. Recent studies have shown that most large companies gain up to 30 percent of their revenues from new alliances. For smaller companies, up to 80 percent of revenues come from these alliance relationships.

Why have alliances become a crucial weapon in the battle for competitive edge? Chances are that the increasing competitive pressures have made it imperative that companies develop new ways to deliver improved products and services quickly and at lower cost. Strategic alliances allow companies to share resources both on the development and market penetration and distribution sides.

While the need for and use of alliances is apparent, the road to successful partnerships is often a minefield. In spite of their popularity, the rate of alliance success is dismal.

When we analyze the “why”, the items most frequently missing are:

- An "alliance culture" through out the organization.
- A clear understanding of how alliance issues should be resolved within the company.
- A blueprint for the internal development of an internal alliance competence.

Why Alliance Competence?

In order to survive and to grow a company needs to master a new set of tools and methods to fit and prosper in the new business ecosystem that will be the model of the business environment for this millennium.

In this environment the term Strategic or Business Alliance is becoming a "generic" term used to define a whole range of business relationships between companies. The generic use or application of the term is just another manifestation of the real need that companies have to establish integrated relationships within and outside their business environment.

The issue is not should your company have it, but, " how does your company do it", without developing a new bureaucracy and/or creating unnecessary layers and obstacles to implementation.

The Critical Elements

Tudog has identifies 5 essential steps for companies to follow for an across-the-board alliance competence. They are:

1. Embrace the Concept

Even though alliances have been around for a long time, and the underlying principles have long been understood, for many companies and cultures there are elements in alliances that are difficult to accept and incorporate. First of all, alliances can be rather confusing. They tend to blur the concept of friends and enemies, and the simple rules that companies have used for many years in order to operate, particularly the notion of direct control.

So in order to be embraced, the alliance concept must be understood company wide, with clearly articulated responsibilities. The employees and the management team must feel that they are part of the process, and that the process will involve all the stakeholders at the appropriate time.

The win-win philosophy that is the basic underpinning of alliances must be shared and reinforced. Alliances must have the visibility and the reporting status that clearly confers and confirms their importance for the company.

2. Identify Alliance Responsibilities

While no alliance can succeed without the participation of all stakeholders, that participation can only be effective when the assignment of responsibilities and accountability for the alliance is clear.

It is not sufficient to announce the process. The process must be given a dimension of visibility, continuity, hierarchical position and critical mass.

3. Allocate Dedicated Resources

Alliances are very labor intensive, and require total dedication. It is very often difficult to operate alliances and at the same time dedicate processes and manuals, training and other resources to create the necessary infrastructure. To develop alliance competence strictly by experience is too lengthy (not to mention costly), and it fails to involve all the necessary levels within a company at critical points.

So a company needs to have dedicated and sufficient resources and some funding to develop and achieve company wide alliance competence.

4. Adopt a Methodology

When it comes to alliances there is a lot of confusion, due in part to the "generic" use of the terminology, and the current hype. Given the confusion, companies need to create a definition and understanding of alliance.

Alliances can be segmented as strategic, tactical, operational, marketing/channel, or vendor/customer, based upon their nature, timing and centrality to operations. It should be noted that the perspective of an alliance could be very different, even within the same company, depending on department or level. Certain portfolio considerations, seen as tactical at the corporate level, can be seen as vitally strategic at the business unit level.

Marketing, distribution channel and customer/vendor relationships can be defined in a similar way. As the level and availability of alliance competence increases, these alliances become more and more the domain of individual departments or offices. The alliance function assumes more of a role as "consultant" or "knowledge source", while retaining the responsibility for the integrity of the process and for ensuring that the alliance is not in conflict with other company partnerships or strategies. The economic drivers for these types of alliances are typically found in the integration of functions (including, for example, customer knowledge, presence and intimacy) and in value chain efficiencies and economies.

In all alliances, no matter how they are labeled, the alliance epicenter will retain the task and the responsibility of recording all information related to the alliance, to create a database, and to perform all the research and due diligence that might be required.

5. Develop an Alliance Process

In order to achieve the consistency necessary to develop an alliance competence, a process model must be followed for all alliances, irrespective of their nature, type or provenance.

Alliance activities and practices, like most business functions, can be defined as a process, with given input, output, responsibilities and feed back mechanisms. The alliance process that Tudog promotes takes a company through the five phases of an alliance; (1) concept, (2) planning, (3) execution, (4) management, (5) metrics and evolution). In each phase Tudog identifies all the steps involved, the tasks, the key references and considerations, and the minimum participation and responsibilities. As a process it must be linked or integrated with all company functions, and not operated in abstract or in isolation.

Closing Remarks

The explosion in alliance activities has not been accompanied by a similar development in the internal practices and competencies that companies need to manage and push their alliance activities to the appropriate responsibility level. The lack of structure is also an obstacle to the creation of an adequate knowledge base for information and templates that will render the process much more effective and secure.

Navigating the way to a successful partnership is difficult. Companies are well advised to do their research before entering into alliance agreements. As evidenced by successful alliances, there are several key steps companies can take to set their alliances on the right path. Applying process and methodology is a proven way of minimizing risk.

Following Tudog’s 5 step process has proven very effective not only in avoiding bumps along the way, but also in creating a pro-active and positive attitude toward alliances that carries beyond the formation, and into the realization of operational results.