The Making of a Successful Alliance

Regardless of the industry, a well-conceived cooperative alliance, regardless of whether the partner is domestic or foreign, will have a set of common essential characteristics. These Eight Essentials are fundamental building blocks of all alliance architectures. Elimination or inadequate attention to any one or more of these factors will reduce the likelihood of a successful alliance.

Altura Ventures recommends using these Eight Essentials as a checklist to walk through with a prospective partner as you are initiating contact or just prior to closing the deal.

#1 CRITICAL DRIVING FORCES: Every company is defined by its relationship to itself, its customers, and its competition. Critical forces compel the company to act, react, or not act at all. An effective alliance is when the driving forces (strategic and operational) for both companies are complementary.

#2 STRATEGIC SYNERGY: Complementary strengths will yield strategic synergy. The two allies should have more strength when combined than they would have independently. Mathematically stated: "1+1 ≥ 3." Mutual advantage must exist. Remember, if there is no synergy then the partner selection process was flawed, and you should review your partner candidates.

#3 GREAT CHEMISTRY: Your company must have the managerial ability to cooperate efficiently and effectively with another company, and they must have an equally cooperative spirit. Chemistry is the result of positive, team-oriented, trust filled relationships between key sponsors.

#4 WIN-WIN: The operation, risks, and rewards must be apportioned fairly. Allies must be willing to address new risks, be committed to flexibility and creativity, and be ready to transform the alliance structure. The alliance should also provide greater value to our customers.

#5 OPERATIONAL INTERGRATION: The style of operations and methods of management should be compatible. Companies with similar goals, rewards, methods of operations, and corporate cultures tend to make better partners.

#6 GROWTH OPPORTUNITY: The alliance by its very nature should create opportunities for positioning your company and its alliance partners in a leadership or growth condition to sell a new product or service or to secure access to technology or services. This typically will create an excellent reward/risk ratio. With an ally, the likelihood of success must be significantly higher. If the chance of success in achieving growth is only marginally higher, and the risk only slightly less, an alliance may not be worth the additional complexity it requires.

#7 SHARP FOCUS: Excellent clarity of purpose is one of the most frequently cited reasons for the success of an alliance. Alliances with specific, concrete objectives, timetables, clear lines of responsibility, and measurable results are best positioned for potential success.

#8 COMMITMENT AND SUPPORT: Leadership is essential. Without top level support, middle managers devote their energies to other priorities which they believe may lead to their promotion. There must be a corporate alignment at the enterprise and sector levels. All management and leadership levels must ensure that the proper attitude filters down throughout the organization. Middle management's support and involvement are vital, because "people support what they help create." Further, support must be backed up by the commitment of resources necessary to get the job done.