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How To Get The Most Out of Your Strategic Alliances Organization

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By forming strategic alliances, large pharmaceutical firms gain visibility to new drug concepts. New technology and customer solutions are jointly developed and delivered. Businesses of all types achieve new market penetration.

Yet, when you ask business professionals "*What are strategic alliances?*" They often say:

- Two companies working together, it is kind of fuzzy.
- Those employees over there, we don't know what they really do and what value they provide

In conducting research and in our work with global clients,, we discovered that many companies treat alliances as a narrow sales, marketing or R&D function.

The value of strategic alliances is continually described through the services it delivers for that particular function. Too often, alliances are pushed in the direction of "What sale has this partner delivered for us lately."

Consequently many companies do not achieve the most value from their alliance and partnering investments.

Five Key Indicators that Signal You Are Not Getting the Most Out of Your Strategic Alliances:

1. **Siloed Organization:** Where do alliances reside in your corporate structure? If alliances reside entirely within a functional area such as sales, it is siloed. It only supports objectives for that part of the organization. There may be a broader opportunity especially if the partner is a large corporation.

2. **Drive-By Alliances:** Are there sufficient resources in place to manage the alliance? Too often executives meet, cut a deal and get the PR wagon rolling.

After the announcement, no resources are in place to execute the plan and it is destined to failure.

3. **Tactical Executive Mindset:** If executives view alliances as strategic rather than tactical, they will invest in it. If they do not, alliance budgets will be cut the moment belt–tightening occurs. If alliance executives only have experience in a single functional area, they typically will shape the organization from that perspective.

4. **History of Success:** What worked before? If alliances have been successful in building an efficient supply chain, they are thought of as part of procurement. If alliances have been part of an effective distribution channel, they are thought of as part of the organization's sales success. Again, siloed thinking. Partners are capable of much more especially if they are a large corporation.

5. **Short-Term Compensation Plan**: How are alliance successes rewarded? If bonuses are tied to quarterly revenues, results will be short-term tactical opportunistic approaches. Alliance managers will find partners who have the near-term deal even if partnering with another company will bring greater opportunity later. If executive bonuses are not tied to alliance performance, there will not be any executive involvement or support.

To keep pace with today's realities, alliance management needs to become a horizontal, broad-based approach as much as it is a vertical "function." It needs to be corporate-wide competency embedded in all employees that collaborate with outside firms. Employees must learn partnering concepts and apply it to their day-to-day business.

Our research and work with leading global clients found that leading-edge alliance organizations take a corporate-wide approach. They operate cross-functionally and serve as an enabler for the rest of the corporation. Although day-to-day alliance activities are managed in business units and functions, the corporate-wide alliance function serves as a center of expertise and resource for the rest of the corporation.

Eight Ways Leading-Edge Strategic Alliance Organizations Deliver Significant Innovation, Value Creation and Growth

1. **Alliances act as an enablement group**, similar to M&A to support the rest of the corporation as the "go to" experts for structuring relationships.
2. **Alliances are considered a strategic function.** They work hand-in-hand with M&A and strategy groups by serving as a vanguard on the latest techniques and strategic opportunities; they act as a third pillar for corporate growth in addition to M&A and organic R&D. They strategically identify opportunities in addition to implementing strategy.
3. **Alliances provide training and materials that enable** the rest of the organization to partner effectively.

4. **Alliances provide governance and policy** pertaining to partnering investment thresholds and corporate standards for partnering.
5. **Alliances measure and reward work across functions** instead of in a silo
6. **Alliances manage a portfolio of partner investments.** They determine which partners deserve incremental investment and those that need to sunset.
7. **Alliances directly manage and negotiate major relationships** that cross business units and are considered strategic.
8. **Alliances manage volume partner programs** that enable critical mass on a platform

How many of these best practices does your organization follow? Follow these best practices and you will create an effective strategic alliance and partnering group that enables your organization to create and deliver new offerings, and achieve new market penetration. Rather than enabling a narrow professional team you are equipping your entire organization to work with partners and generate growth across the board.

About the Authors:

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