5 Keys To Creating Successful Strategic Alliances

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By Larraine Segil

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Did you eat any fresh corn on the cob last weekend? Or cool down with a Frappacinc Sneezing from allergies this summer? Maybe you considered packing up the kids or grandkids and making a summer visit to one of The Walt Disney Co. 's properties worldwide?

Then, knowingly or not, you have benefited from a successful strategic alliance. Despite Bill Robinson's comments in an earlier column (see: Why Strategic Alliance: Don't Work), trust has little to do with creating a profitable alliance. Companies hav proven that they can forge successful partnerships with those they don't trust and with which they compete.

How? By following through on a disciplined approach:

1. Select The Proper Partners For The Intended Goals

An alliance between Seattle-based Starbucks and Purchase, N.Y.-based Pepsico created the popular coffee-flavored drink, Frappacino. The relationship moved Starbucks into the bottled-beverage market while PepsiCo gained an innovative product with a well-branded partner. Each met their strategic and operational goals. A perfect match.

2. Share The Right Information

You don't have to trust your partner in order to share information with them. You ju have to decide what not to share. An alliance could involve intricate interweaving of intellectual property from different research and development labs owned by multip partners. Many pharmaceutical companies have marketing alliances. Eli Lilly and Takeda Chemical Industries of Osaka, Japan, have joined together to develop a drug for the treatment of type-2 diabetes. Philadelphia-based GlaxoSmithKline and Elbio of Radebeul, Germany, have recently announced an alliance--the results of which wi clear up your stuffy sinuses. Companies have proven that they can have successful alliances with those they don't trust and with whom they compete. The real issue is follow-through. Did their partner do what they said they would? If so, even without trust, the alliance can succeed. Kraft 's Maxwell House brand and Starbucks--direct competitors--created an alliance for Starbucks to place its coffee into supermarkets. Starbucks benefited from Maxwell House's extensive network of shelf space in majo chains nationwide, while Maxwell House profited from customer desire for Starbucks-branded coffee.

3. Negotiate A Deal That Includes Risk And Benefit Analysis (Not Necessarily Equal) For All Sides.

Some companies have changed strategies to focus on alliances as key revenue generators. Currently 30% of IBM 's $86 billion in revenue comes from a wide varie of alliances. IBM is able to succeed on this scope because they have a process, structure, approach, metrics and a strategic commitment to make alliances work fro the highest levels in the company. IBM changed strategies a few years ago and embraced alliances, seeing them as the best way to offer their customers the most valuable and appropriate solutions to their needs--not just the IBM-created option. some instances, they decided to partner rather than compete with certain independent software vendors. IBM's alliance with San Mateo, Calif.-based Siebel to jointly develop, market and sell integrated e-business solutions included also Siebel' choice of IBM's DB2 Universal Database as the company's primary development platform and the decision to port Siebel's e-business applications to the AS/400e server platform. The latter is significant because IBM has more than 200,000 loyal customers using AS/400e technology. This global strategic alliance has been extended to midmarket companies and continues to grow as opportunities for new markets and products evolve.

4. Come To A Realistic Agreement On The Time To Market And Corporate Expectations

Computer maker Hewlwett-Packard 's) alliance with The Walt Disney Co. has show great results as HP provides major IT solutions and innovation to Disney's varied divisions with co-branding as a critical part of the relationship. This alliance was we negotiated and structured, with a clear understanding of what each partner had to contribute and could expect to derive from the relationship and how that would change over time. Both partners are complex organizations and integrating their alliance goals only happened due to solid planning and manageable expectations regarding implementation. Disney's marketing calendar is a key element of every Disney partnership. The success factor in any alliance--and especially one with a mega-branded company--is coordinating brand exposure, joint marketing and customer experience. HP, like every other Disney partner (Kodak , McDonalds , Coca-Cola , etc.) paid particular attention to understanding the time-to-market issue and how they fit Disney's plans, as well as the management of both partner's expectations as to what results could be expected when.

5. Mutual, Flexible Commitment On What's Appropriate To Change, Measure And Share Within Each Partner's Culture

Many fresh fruits, corn and vegetables as well as their processing are the results of alliances. Pioneer Hybrid International , the Des Moines, Iowa, division of Dupont , creates and implements agricultural research and development alliances that have contributed substantially to the world's food resources and our general well-being. This means often partnering with small companies, individual scientists and academics--where results of experiments don't always appear right on time and flexibility is needed to reshape the investigation--probing for other outcomes requiring customized solutions. This kind of alliance management is not easy for a large organization. But Pioneer has an average employee tenure of 20 years and thei culture supports loyalty, persistence, flexibility and customization.

These qualities work well in resolving joint research alliances. Lesser-known entrepreneurial companies like Irwindale, Calif.-based Ready Pac Produce packages salads for your convenience with technology developed in a strategic alliance with Scaline , a French company. Egos had to be put aside to manage through the cultura language and personal differences in this alliance. My research into over 200 companies at Caltech, where I teach executive education in alliances, found that cultural incompatibility (whether differing company size, corporate culture, management personalities or national cultural differences) caused alliance failure more often than the business or financial considerations. Both Pioneer and Ready Pa used flexibility, open-mindedness and a keen sense of the cultural issues to make the relationship bear fruit.

Larraine Segil *is a board member of ASAP, partner of The Lared Group, a strategic alliance consultancy, and has authored four books on alliances and leadership. She can be reached at her* Web site.

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