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**SUCCESSFULLY ESTABLISHING
AND MANAGING
STRATEGIC ALLIANCES**

Successfully Establishing and Managing Strategic Alliances

Written by the Association Laboratory

The establishment of strategic alliances with both for-profit and non-profit entities is an increasingly useful tool in the association executive's tool kit. These relationships can be used to add talent to a difficult problem, target a new audience or create mechanisms for shared resources. Unfortunately, too often, associations fail to adequately in their process to identify, select and manage their strategic partners. These relationships are complex. To be successful, you must spend time thinking through the key steps in creating and managing an alliance.

To begin, we must have a definition of strategic alliance.

In her book, *Intelligent Business Alliances*, author Lorraine Segil defined an alliance as “a relationship that is strategic or tactical, and that is entered into for mutual benefit by two or more parties having compatible or complementary business interests and goals.” Within an alliance, each organization retains their independence and cooperates on a limited basis--pooling only the resources necessary to confront a specific situation, product or market. The definition states that you and your partner must have compatible or complementary business interests. This identifies the first question you must ask yourself. Are my interests in alignment with those of my potential partner or am I really interested in simply raising dollars? Do I really want a strategic alliance, or will other mechanisms serve my purposes, for instance a vendor relationship or outsource relationship? The potential pitfalls of failing to ask these questions can be dramatic.

In assessing your potential future alliance, ask yourself these questions:

- Why are we looking at an alliance now?
- What do we want to achieve from the alliance?
- Is an alliance the best way for us to achieve our goals?
- What resources are we willing to commit to this relationship in terms of dollars and staff time?
- How is our association most comfortable in the creation of alliance relationships?
- How much control are we willing to cede to an alliance partner?
- If you are comfortable with your responses to these questions, then continuing down the path of establishing a strategic alliance is appropriate.

Step 1 – Determine the corporate ground rules of your association and your potential partner.

The first step in assessing the value of a strategic alliance is to identify the corporate ground rules of your organization and your partner by looking at actions NOT policies. Actions dictate the true corporate ethic of an organization, not manuals and promotional brochures. Actions can be identified in several ways. You can review your Board motions or budget allocations, for example. What is being done versus being said? Furthermore, identify the types of other alliances your partner has participated in. How are they different or similar to your own?

Step 2 – Assess the strategic potential of your alliance

Once you have determined the existing ground rules, you must assess the long-term ability of your association culture to work with the corporate culture of your partner. In their book, *Collaborating to Compete*, authors Joel Blecke and David Ernst identify four types of organizations.

- Organizations that can transfer skills but not receive them.
- Organizations that can transfer or receive skills.
- Organizations that can neither transfer or receive skills.
- Organizations that can receive but not transfer skills.

Which type fits your association? Which type fits your partner? The greater the ability of both to contribute and learn from the other, the greater the potential for long term success. Remember, this understanding will help guide the daily alignment of individual staff and specific projects.

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A variety of information on your potential partner should be explored.

- What are the key components of your potential partner's business?
- What do you know about the key contact and other decision makers employed by your potential alliance partner?
- Is there another organization in the same industry that might be a better partner?

Step 3 – Define your success criteria.

Clearly defining success, and how success will be measured, will dramatically improve your understanding of both opportunities and threats to an effective alliance. Classic examples of measurement include funds raised, publicity generated or new members recruited. As long as you create alliances that respect the ground rules of your key constituencies and promote your mission, you can continue to go forward in establishing a successful alliance. You are now in a position to assess the value and long term potential success of your alliance and its potential value to key stakeholders and your association.

Step 4 – Establishing your alliance plan.

The alliance plan is defined as the document that outlines the objectives, structure and dynamic of your alliance. This document is produced following a process of self and partner analysis designed to increase your understanding and acceptance of the partner and the alliance. Several issues need to be addressed to help you establish a workable alliance plan. Take the time to plan properly. The stakes in any strategic alliance can be very high. By taking the time now to plan properly, you may avoid reading about yourself in the paper or having to focus personal energies on pursuing new career options.

- Several key issues need to be addressed.
- How will decisions be made and problems solved?
- Who has authority? How will work be delegated or distributed among your staff and the partner's staff?
- What is appropriate work behavior for people working together on an alliance?
- How will compensation be affected for you, your staff or your partner?
- How will communication, both internally and externally be executed?
- What is your partner's attitude towards time and milestones?

Step 5 – Structure your alliance agreement.

The final development of a specific agreement outlining your alliance is a time consuming and frustrating task. At this point, you and your partner begin to identify where your assumptions of strategies, tasks and measurable outcomes are different.

Agreement must be reached. If you cannot successfully work out differences at this stage, you will certainly be unable to resolve differences during the course of your relationship.

Lorraine Segil identified three key characteristics of an agreement:

- **Non-disclosure agreements.** Agreements to keep confidential information that is designated as confidential by either party, for example your membership mailing list.
- **Evaluation agreements.** Agreements giving one party the ability to examine the other party's information or products for the purpose of evaluating strategic fit for a defined period of time, with the added requirement of confidentiality.
- **Letters of intent.** Specific expressions of intent to do business together.

An additional characteristic vital to successful planning and execution of your alliance is the design of a detailed scope of work. The purpose of the scope of work is to identify the functional activities and tasks, i.e. "the work", that will need to be done. The scope of work may include some or all of the following:

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- What tasks exist?
- Who has responsibility for each task?
- What time constraints or milestones can be agreed on now?
- What communications mechanisms will be in place for approval?
- How will information flow?
- Who will be the primary liaison for each party?

You don't want to be surprised, after you have entered into an agreement on the volume, intensity or nature of the work involved.

Finally, discuss and agree upon an exit strategy so that both parties have the ability to exit gracefully from the alliance. Business objectives change. Member needs and desires are dynamic. Neither you nor your partner wants to be locked into an agreement that may lose value over time.

Strategic alliances offer tremendous opportunity for progressive not-for-profit organizations. As with any opportunity, though, there are also potential pitfalls. Always remember that the key to your success in these relationships will be continued examination of the partnership, continuous improvement of your alliance management skills and a commitment to teamwork both within your organization and with your partner.

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