

## IS A STRATEGIC ALLIANCE THE BEST WAY TO GO?

As a Management Consultant specialising in strategic alliances and acquisitions, it never ceases to amaze me how many alliances fall at the first hurdle. So, before you decide to follow this path, make sure you read this blog post.

A number of studies indicate that less than 50 percent of all strategic alliances live up to original expectations, something I know from my own experience. <sup>1</sup> \_\_\_\_ Unfortunately, many companies only focus on their own desired goals, such as increasing their revenue, rather than on how to achieve these objectives in today's fast-changing world.

So, when a company decides to look for a strategic alliance, it should outline clearly what it wants from that alliance. The key to success is a collaborative working relationship between the two companies. <sup>2</sup> \_\_\_\_ This is done by highlighting the differences and creating a shared strategy. There is nothing worse than two companies with different work cultures refusing to change the way they work.

The senior managers need to drive this collaboration and lead by example. To do this, they may have to think outside the box. <sup>3</sup> \_\_\_\_ Managers have to realise that alliances require a different kind of thinking because, in reality, the two companies are still competitors, but they are also cooperating with each other.

One company I was working with entered into an alliance with a bigger competitor. Initially, it seemed that they would benefit greatly from an increased customer base and entry into new markets. However, the R&D department had developed an innovative material and they were worried about sharing this confidential information with their partner. Without openness and trust the alliance was bound to fail. It soon became obvious that this was the key reason why the other company had wanted to enter into the alliance in the first place. <sup>4</sup> \_\_\_\_ We should have realised that the partner's size might have been an obstacle for us.

Interdependency is the mainstay of any alliance, and interaction between employees should be seamless. <sup>5</sup> \_\_\_\_ Joint decisions about recruitment and deployment of staff should be made so that the right person for each job is selected rather than each company favouring their own employees. Furthermore, teams need to follow the same procedures, otherwise a lack of clarity will lead to inevitable confusion, inefficiency and, ultimately, failure.

In conclusion, do not rush into an alliance without agreeing to every operational policy beforehand, otherwise you may become one more statistic in the list of those who have fallen at the first fence.

- 1** Read and complete the blog post with sentences A–F. There is one extra sentence.
- A** Several meetings took place but neither side was able to agree on how to move forward.
  - B** So, from the outset it is crucial to understand each other's organisation.
  - C** Remaining in their comfort zones should not be an option.
  - D** Consequently, a combined alliance strategy should be agreed before finalising the details of the alliance so that everyone knows what the framework is.
  - E** Owing to the fact that they were much bigger than us, we ended up having to follow their procedures and were outnegotiated in most decisions.
  - F** I have worked in several companies over the past few years and can confirm that there are obvious pitfalls when embarking on this strategy, but these can be avoided.

- 2** Complete the notes with words from the blog post.

Strategic alliances	
Advantages	Having access to new <sup>1</sup> _____
	Improving the amount of <sup>2</sup> _____
	Gaining a larger customer <sup>3</sup> _____
Keys for success	Encouraging a working relationship that is <sup>4</sup> _____
	Recognising the <sup>5</sup> _____ in each company
	Honesty and <sup>6</sup> _____ between the two organisations
Potential problems	Only concentrating on own <sup>7</sup> _____
	Failing to follow new <sup>8</sup> _____
	Being unwilling to share <sup>9</sup> _____ information

- 3** What is the purpose of the blog post?
- a** to explain how a strategic alliance works
  - b** to advise on the best way to approach an alliance
  - c** to give examples of the pitfalls of strategic alliances