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Creating and Maintaining Successful Strategic Alliances: The A.R.I.S.E. Platform

By Jim McNeil

FOR OVER TWO decades, as an organization leader, student of Organization Development and later as an OD practitioner, I have led, watched and participated in struggles associated with creating successful alliances. Some have worked; others not. What I have learned is that strategic alliances of all types are more often successful when they contain certain key elements. The elements are *Alignment, Resolution, Involvement, Systems and Equity* (A.R.I.S.E.). These elements are powerful. When employed together, they form a *platform* that supports the enterprise *and* the aligning organizations. This paper describes the elements and offers a successful approach to this complex business strategy.

INTRODUCTION

Since the mid 1980's the emergence of strategic alliances *(a union of interests between two or more organizations joining together to carry on a specific endeavor)* have been hailed as a key business strategy. Clipping along at a rate of over 10,000 new alliances being formed each year since 1996, companies and organizations have been able to maximize their potential, reduce risk and maintain their own identity and autonomy.

Leading the corporate lineup are giants like I.B.M., Hewlett-Packard, Merck, Johnson and Johnson, Motorola, Xerox and Oracle who have *each* formed more than 100 alliances. Joining them on the alliance bandwagon are thousands of not-for-profit corporations, community groups, schools, unions and religious institutions who have taken advantage of the benefits of alliances and realized the efficiencies and risk sharing that "for profits" spotted early on.

While Xerox and the American Red Cross, are vastly dissimilar, they both endure stiff competition and the absolute requirement of meeting the changing demands and expectations of their stakeholders. What they have discovered is that alliances can provide growth and competitive advantage at a fraction of the cost, turmoil and risk associated with other options.

Another category that has proven to be fertile ground for alliance formation is labor/management partnerships. The American auto industry offers an excellent example of what can be accomplished despite differing concerns. By focusing on interests that the parties held in common, the automakers virtually remade themselves by increasing productivity and lowering cost, while the union attained unprecedented job security and high wages for their members.

MERGERS AND ACQUISITIONS VERSUS ALLIANCES

Why are companies and organizations turning to alliances as an alternative to the more traditional merger or acquisition strategies? While the value of mergers and acquisitions exceeded the multi-trillion dollar mark in recent years, only about half of these merged companies have succeeded relative to peers, and the success rate is not improving according to Albert J Viscio, John R. Harbison, Amy Asin and Richard P. Vitaro (1999).

Tom Brown (1999) wrote that in contrast, companies participating in alliances report that as much as 17 percent of their revenues come from their alliances. That number is projected to climb to 35 percent by 2004. In Europe, the most active area for alliances, many companies report as much as 42 percent of their revenues coming from alliances with return on investments of over 23 percent

The realization that mergers and acquisitions are risky, expensive and offer no guarantee of success has led boards and shareholders to more favorably consider the lower cost and high performance alternative of forming strategic alliances.

BENEFITS OF STRATEGIC ALLIANCES

Strategic alliances are typically formed when one organization alone cannot meet the needs and expectations of its stakeholders. So what exactly are those needs? According to experts, businesses and organizations typically form alliances to:

- Enhance competitiveness
- Increase efficiencies and productivity
- Reduce cost
- Share risks
- Leverage resources and purchasing
- Share research and development technologies and costs
- Enhance market position and penetration
- Broaden product advertising, offerings and availability
- Create new products and services
- Reach new markets
- Fend off competition

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TANGIBLES...

The results have been impressive. Twenty years ago, only one or two percent of U.S. corporate revenue was attributable to strategic alliances. Today that number has grown to nearly 20% with expectations of continued growth.i Other evidence is also mounting:

1) Strategic alliances have consistently produced a return on investment of nearly 17% among the top 2,000 companies in the world for nearly a decade. That is more than the average return on investment that the companies produce overall.
2) Of the 25 companies most active in alliances, they achieved a 17.2 percent return on equity – 40 percent more than the average return on equity of the Fortune 500.
3) The 25 companies least active in alliances lagged the Fortune 500, with an average return on equity of only 10.1 percent.ii

...AND INTANGIBLES

Unfortunately, benefits experienced by strategic alliance partners in the non-profit sector are more difficult to quantify but not any less formidable. Consider the value of just a few….

The American Federation of Teachers and the National Education Association are two unions that have formed an alliance called NEAFT Partnership. These powerful labor organizations representing nearly 4 million workers, come together to develop unified approaches to professional issues, legislative initiatives, political action and joint organizing opportunities.

The American Red Cross recently joined forces with the Centers of Medicaid and Medicare Services. Their objective is to assist Medicare and Medicaid beneficiaries to become safer, healthier and more self-reliant. Together, their initiative may touch the lives of hundreds of thousands of Americans.

Action by Churches Together (ACT), an international alliance of many churches and relief agencies, assist thousands of people recovering from emergencies in more than 50 countries worldwide.

The Family Education Network has formed an alliances with the National PTA, the National Education Association, America Online, Harcourt General and Intel to offer a network of Web sites serving the K-12 community. They now reach over 7,000 schools providing them with specialty Web publishing tools and services.

AUTONOMY

Another benefit that doesn't show up on the bottom line is the issue of independence and autonomy. Maintaining one's own organizational identity is also a key advantage of a strategic alliance. Many organizations that seek a collaborative relationship do so to specifically address certain needs. They are not looking to create a new identity or form a new business, but simply searching for opportunities to work successfully together with a partner(s). The parties seek, in joining together in these new ways, to ensure the success of the enterprise (the endeavor in which both parties are committing to collaborate). However, both groups have worked very hard to establish and define themselves as independent and autonomous organizations. Maintaining their own identity and independence is highly valued by themselves and their constituencies.

THE BOTTOM LINE

The evidence is compelling that the formation of strategic alliances will continue as a key strategy for business and organizations of all types for years to come. However, we all know that there is no such thing as a silver bullet. Nothing worthwhile is ever easy and creating and maintaining a successful alliance demands a thoughtful strategy and total commitment.

Even previous successes and vast experience in forming alliances like IBM (over 100) doesn't guarantee a winner. Recall the much hailed coalition between IBM and Apple. Together, they set out to challenge the market dominance of high-tech rivals Intel and Microsoft. Working together on research, development and collaborating in other joint ventures seemed like the perfect marriage. But, over time, they simply drifted apart, unable to meet the expectations of the marketplace, investors or themselves.

A.R.I.S.E MODEL FOR STRATEGIC ALLIANCES

A.R.I.S.E. provides a sensible model to organizations seeking to achieve benefits by working together. It is grounded in sound Organizational Development theory and practice including Systems Theory, Action Learning, Process Consulting, Socio-Technical Systems, Community Building, Strategic Planning and others. It incorporates the wisdom of many and has evolved over time.

The elements offered here apply to all types of alliances, and this is written with generic application in mind. Certain terms, however, such as *employee* and *workforce* characterize the examples as occurring in a typical business setting. Changing these terms to make them generic however, could be confusing and the meaning lost. So I leave it to the reader to make the appropriate substitutions as they might apply to your organization.

THE ELEMENTS

Above, I refer to key ingredients, or elements, that contribute to the success of strategic alliances. I have concluded that these elements, when combined, significantly enhance the prospects for the success of the enterprise and the relationships of the parties. The elements, employed individually, are like the sound of one hand clapping and unlikely to render meaningful outcomes. But together, they create a dynamic force for positive results.

The A.R.I.S.E. Platform is comprised of five key elements. They are:

Alignment
Resolution
Involvement
Systems
Equity

ALIGNMENT

Alignment means that all people in the organization are connected and committed to a common purpose and plan. They know where they are headed and their role in helping the organization get there. Each person sees the whole puzzle, how pieces fit together and understand how and why decisions are made.

Alignment must occur from the top to the bottom of the organization. Leadership alignment is the first step and is the most fundamental aspect in any alliance. Leaders at the helms of each respective organization must be committed and hopefully passionate about a common and mutually developed vision for the future, goals for the alliance and anticipated outcome. This alignment is critical in that the wisdom of entering into this relationship will undoubtedly be challenged and questioned.

The second step of alignment is that this shared vision, of what each organization can achieve together, needs to be publicly acknowledged and supported by the leaders. If leaders are truly committed to this alliance and want the benefits that can be realized then they need to be willing to stand up and say so.

The third step of alignment occurs as the vision cascades downward throughout the respective organizations. In its best state, individuals in the boardrooms and on the front lines of each organization should understand (and hopefully support) the rationale for the alliance, the vision of what they hope to achieve together, the goals for the enterprise and the anticipated benefits of this relationship.

RESOLUTION

Resolution refers to the processes employed to solve issues and resolve conflict and at some point provide a forum for innovation and creativity.

Issue/Conflict resolution takes place at two levels:

The first level is the process of solving everyday operational issues. Together the parties must develop the mechanism to quickly address and resolve day-to-day issues that arise. These issues should not be viewed necessarily as problems but rather seen as items that need to be decided. An agreed upon process for resolution is critical because the lack of such a mechanism quickly leads to disagreements, disillusionment and distrust.

A second level of resolution may also be employed, and is a formal approach to resolving strategic issues. In many instances this may take the form of traditional contract bargaining. Each organization's history, as well as their experience together, weighs heavily in determining a formal resolution process.

Experiencing a measure of success, the resolution process becomes more than just a problem solving activity. Working together, successfully solving everyday issues, provides the reoccurring occasion for tapping innovation and creativity. This activity, for some, becomes a defining moment in their relationship as they uncover new opportunities benefiting their alliance and organizations.

INVOLVEMENT

Involving the workforce at all levels of the organization and engaging them in the success of the enterprise is often overlooked and substantially undervalued. The cost of employee involvement, while significant, pales when compared to the value it exhorts. This is especially true when an alliance is newly formed.

When organizations choose to enter into an alliance some within will see themselves as winners, benefiting personally from its creation, while others may view themselves as losers in the new arrangement. Similar to a merger or acquisition, attention must be paid to generating understanding and support for the new distribution of power, reporting relationships, functional relationships and other associations both internal and external. By engaging the employees in the development of the new arrangement, resistance dissipates and commitment to the enterprise is fostered.

The "Involvement" element is predicated on the fact that "people will support what they help create." When individuals within an organization are truly engaged in running the endeavor and have a "real" voice in the decisions that affect them, those decisions are generally sound and elicit broad support.

An additional benefit to meaningful employee engagement is that it can generate widespread support for the leaders of the organizations. This "on the ground" support is especially beneficial in assisting leaders in riding out the tough times.

SYSTEMS THINKING

Systems thinking is the concept of "thinking whole" and essential in understanding organizations and how they work. It is the ability to see and grasp how people, technology and processes function together not as individual pieces.

When the interrelationships between organizational functions are in sync, we experience optimal results. Systems thinking seeks the right combination of elements working in concert with each other to create the synergy for success.

In applying this element in an alliance, it is imperative to consider the enterprise and sponsoring organizations as part of the whole system. What impacts on one member will impact on the whole and it is the combined force of *all* of the aligning organizations, working together in sync, that will best produce the hoped for benefits to the parties.

Organizations often enter an alliance without considering the change necessary within their own sponsoring organization to support the endeavor. The parties work hard within the new enterprise to develop the right combination of people, technology and process to ensure that the enterprise succeeds, but the alliance itself may suffer. It is vital that the sponsoring organizations assess and amend their method of operation with an eye to protecting and enhancing the new enterprise. Relationships between inter and intra dependent systems in and across the organizations are a critical factor often overlooked.

This is not to suggest that the sponsoring organization need jeopardize themselves for the sake of the alliance but rather to identify and implement the mechanisms that will lend support to their own best interests.

EQUITY

How and what the parties expect to realize as a result of the success of their coalition must be articulated and very clear. By choosing to align together, the parties expect to achieve certain benefits. Without meeting their needs the venture will not endure.

The element of equity as it applies to strategic alliances is multi-faceted:

First, the enterprise that the alliance is created to support must be successful. Without achieving success, there is no need for organizations to join together. We can fail on our own.

Second, the key stakeholders in each organization must independently realize benefits and value that without the alliance they simply could not achieve.

Third, individuals must be recognized and rewarded for their contributions to the success of the enterprise. Gains realized as a result of working together must be shared.

WHAT ABOUT TRUST?

The issue of "trust between the parties" as it relates to forming strategic alliances warrants exploration. Few could argue that having a trusting relationship, as the parties begin closely working together, is advantageous. But what happens when trust is low? Is it wise to begin an alliance with little trust between the parties? And, what if trust between the parties is breeched during the process? Should the parties withdraw from the alliance?

Some argue that without a foundation of trust, a strategic alliance is doomed to failure. Being able to count on each other to respond in a certain way, they say, is essential for an ongoing relationship. It's asserted that trust must be strong and is a precondition for forming an alliance. I disagree.

High levels of trust are often lacking as alliances are formed. In many, the parties find that it is prudent and essential to always keep their eyes wide open. They look out for their own organization's separate interests and that of the enterprise. They expect that their counterparts in the endeavor do the same.

So if trust is weak and it's necessary to always "keep your eyes open", then is it wise to enter into an alliance at all?

I believe it can be. The very fact that consideration is being given to developing an alliance is evidence that both parties need something. Implied, in that desire, is the fact that the parties believe it is harder or impossible to achieve certain outcomes acting on their own. While that "something" may be very different for each organization, without working together neither may ever attain it.

So I have come to view real trust as a by-product of a good alliance. When people do what they say they will do repeatedly, time after time, trust will increase.

CONCLUSION

I wish to make clear that the ideas and approach suggested here are the result of the work of hundreds or perhaps thousands of theorists and practitioners, developed over several decades. So the elements contained in the A.R.I.S.E. Platform are not new nor my invention, but rather a distillation and assembly of solid organization development theories and practices tested and improved over time. The Platform is, in my judgment, the right combination of key elements for success based on my 25 years of experience, research and observation in working with and being part of successful and unsuccessful alliances. Consistent with "systems" thinking, it is the sum and synergy of the various elements, not the elements themselves that bring success. ■

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