

Strategic alliance management – What are alliances and how can strategic alliance management help your organisation?

Organisations have been working together for as long as they have existed. The Dutch Trading companies, for example, were one of the first big firms that were partnering up with other organisations. It is only in recent decades that alliances have become more important and have been playing an important role in achieving objectives. Alliances, and the management thereof, are now a prime strategic activity within most firms.

However, while alliances have become cornerstones of the competitive strategy of many organisations, most face difficulties in dealing with them. So, let's provide a definition of alliances and strategic alliance management.

An alliance is a voluntary, long-term, contractual relationship between two or more autonomous and independent organisations, designed to achieve mutual and individual objectives by sharing and/or creating resources (Arino et al. 2001; Gulati 1995b; Tjemkes 2012). The primary task of alliance management is to monitor and coordinate alliance activities to the purpose of creating value-creating conditions and mitigating the potential threat of exchange hazards (Tjemkes 2012).

How alliances can create value for your organisation. Alliances are a critical weapon in firms' competitive arsenals. They allow organisations to achieve various goals and objectives that would be difficult to achieve by themselves. One of the most important reasons to get involved in an alliance is to learn and develop capabilities. Alliances can, for example, be used to constantly (provide prospects for) advance technology, maximize value and be able to respond to various conditions. More recently, organisations appear to enter into alliances to enhance corporate social responsibility. Alliances can, for example, help organisations to comply with various institutional and market demands for sustainability.

Regardless of rationale, the strategic value of alliances and alliance management is apparent. They are an important vehicle for value creation in rapid changing competitive markets characterized by network organizations and expensive technologies.

Research has shown that roughly 50% of alliances end up failing. Failure usually stems from a lack of previous experience or failure to internalize their alliance know-how and know-what (or alliance capabilities). In other words, most organisations are not aware, or do not understand, the unique challenges that are inherent to alliances within the different development stages, including different objectives, diverging partner firm characteristics and unique alliance context. Moreover, failure is more likely when firms neglect the institutionalization of their alliance capabilities.

"Alliances allow us to be flexible and save costs, through mutual commitment and shared risk and reward." -- ASML

"By sharing each other's agendas we improve our supply chains together with our partners." -- ABN AMRO

"The alliances of the KLM Group and its partners offers travellers the opportunity to get to almost anywhere in the world." -- KLM

"Our alliance allows us to strengthen both companies by leveraging global markets, sharing vehicle platforms, distribution channels, and technology" -- Fiat/Chrysler

Our value – by making use of our method we:

- ✓ Raise awareness within the organisation of the importance, benefits, challenges and risks of alliances and strategic alliance management
- ✓ Introduce the latest knowledge, tools and methods to facilitate strategic alliance management, make use of your alliances' full potential and avoid suboptimal results
- ✓ Help design an organisation and portfolio that is (more) geared towards alliances by, for example, making use of, and internalizing, alliance capabilities or provide guidance with setting up a dedicated alliance function
- ✓ Facilitate strategic alliance management by providing valuable and usable insights into the entire alliance portfolio (including the most basic transactional relationships), within one consistent and effective performance measurement method

Any questions? Please don't hesitate to contact us: info@the3.nl or visit our website www.the3.nl/