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Strategic Alliance and how to promote Synergy

A strategic alliance describes a relationship between two or more parties (organizations) that can occur on a wide range. This includes sourcing arrangements, from smaller strategic alliances up to 100% acquisitions of other organizations. Things such as franchising, licensing and joint ventures are special types under the umbrella for strategic alliances.

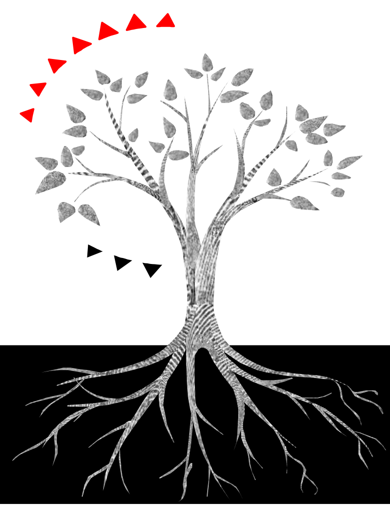
In general, there are two types of strategic alliance: a bilateral alliance (between two organizations) and a network alliance (between several organizations). These cooperative arrangements between companies mostly lead to the same benefits, such as:

- A common strategy with the aim of a win-win situation for all parties by using the same resources and capacities and gaining economies of scale;
- A reciprocal relationship where each partner is prepared to share specific strengths with the other, thus lending power to the enterprises;
- A pooling of investment and risks occurs for mutual gain

Next to those benefits strategic alliances show a wide variety of advantages, as they require little immediate financial commitment and they allow companies to put their business actions into new markets before rolling out new strategies. This is also one of the reason why the most popular use for alliances is a means to try out foreign markets.

However, in order to make an alliance sustainably successful, some drivers need to be considered which may influence the common business. One thing crucial for a successful alliance is a degree of cultural compatibility. If possible, companies should look for partners of their own size. The history shows that alliances between very big and very small companies are hard to operate. And this is not least because of the different significance that the alliance assumes in each organization's scale of things. Alliances are often seen as marriages where the partners have to understand the others' expectations, concerns and where a mutual sensitivity is the fundament for success. Indeed, many companies build a pre-nuptial contract before going into their alliances, in order to agree on what happens to their joint property, in case of a subsequent divorce.

Having found the basis for a strategic alliance, the parties should think about how they can increase their common business actions. Leveraging or promoting mutual synergies is the focus of this second step. In order to increasing this effect, organizational designs, specific leadership development, common team projects and individual development, including hands-on support and external coaching, are commonly used approaches.



Direct interfaces between alliance parties are crucial areas, which shall be well defined. Skilled people with a clear understanding of both sides of the alliance should be in charge of the daily operations. Interfaces imply a great chance for misunderstandings, efficiency losses and tensions between parties.

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