

Churchmill Newswire

STRATEGIC ALLIANCES

In the current economic climate, businesses must look at new ways to win customers. As such, many firms are now looking at strategic alliances which allow them to access new segments of the market.

If properly executed, a strategic alliance can be good for business and good for the consumer. A strategic alliance is similar to a joint venture, in that everyone remains an individual entity but comes together for a single purpose or period of time to create something that could not otherwise be created.

There are challenges that business owners and managers must consider before entering into a strategic alliance with another business. For instance, evaluating each partner's value and capabilities is mandatory before agreeing to an alliance. The who, what, where, when and why questions all need clarification, with failsafe measures which must be agreed and documented before commencing the strategic alliance.

Here are some considerations for any business considering a strategic alliance:

Agreeing to the Terms

It is necessary to identify the areas of interest that are yours and to also identify the areas of interest that are relevant to the other partners. Strategic interests must be similar, and products or services comparable. The figures must add up – each partner must have enough economic benefit for each to remain committed. There must be an operational agreement in place, and it is advisable to engage the services of a lawyer in order to draft this and other terms.

Assessing Contributions

What do you or each partner bring to the alliance? What is each person's purpose and goals? Does each partner have something unique to offer which adds value to the business relationship?

Defining and Measuring Progress

Who is going to define or handle sales? What target market will be pursued and when? How will the revenue be generated and distributed? What will occur if the measurements aren't met? A reporting structure should be agreed and put in place. Regular meetings (perhaps monthly or bi-weekly) should be scheduled and all key stakeholders should attend.

In summary, creating a strategic alliance is not something to be taken lightly.