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Revenue Growth Through Alliances

Plenum Revenue Group
Top-line growth. Bottom-line results.

Any company in today's global economy must eventually face the issue that if it is not growing, it will be expiring. For most companies, mergers and acquisitions are too risky to be a revenue growth option. Organic growth, though low risk, may have some considerable limitations. A third option - alliances - just may be the right blend of risk and reward to accelerate your company's revenue engine.

Over the past 15 years, the successful formation of alliances has emerged not only as a critical management competency but a revenue weapon as well. The top 500 global companies average 60 major alliances each. In 1999 Andersen Consulting Global Alliance Survey stated that alliances account for an average 26 percent of Fortune 500 companies' revenues, up from 11 percent just five years earlier. What is more, companies estimate that alliances contribute 35% to market value with an expectation that alliances will contribute 48% to market value by 2007. Clearly, being a good business partner, regardless of the duration and objective of the alliance, has become a key corporate asset and competency.

If your firm has not successfully engaged in collaborate alliances, or if it has tried and failed, this article is for you. We will first briefly outline the advantages of deploying an alliance strategy to grow revenues. We'll then take a look at the perils, goals, and principles of alliance management in hopes of encouraging you to engage professionals (such as Plenum Revenue Group) to seek out and manage your alliances.

Alliance Overview

Alliances are a fast and flexible way to access complementary resources and skills that reside in other companies and have become an important tool for achieving a sustainable competitive advantage. Alliances require leveraging valuable internal resources and current competitive advantages in new and innovative ways. Alliance formation requires a minimum amount of cash and can be formed with a number of alliance partners horizontally or vertically in numerous markets. However, as alliance formation is a fairly new growth option for most companies, they tend to bring some increased risk to the inexperienced. Regardless, growth through alliance formation has seen an almost explosive energy in the past fifteen years as a vital secret and silent competitive weapon by many companies. Most alliances formed between companies are not made public, either because the companies choose not to publicize the collaboration, they

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want to keep the deal confidential for competitive reasons, or because business journalists do not see them as "sexy" as mergers and acquisitions.

Finally, many companies have learned that an alliance strategy is a good preliminary step prior to an acquisition. If an alliance will not work, it's more likely an acquisition would not have worked as well. But the lesson costs are far less with an alliance - typically 25% - 35% of the cost of a doomed acquisition.

Alliance Management

With all of the upside potential associated with collaborative alliances why do almost half fail? Is it possible management devotes more time to seeking out and screening potential partners in financial terms than to managing the partnership in human terms? Is it possible management promotes the future benefits of the announced alliance to their shareholders but fails to help managers create those benefits? Our long experience in alliance formation and management confirms such, because we have seen too often that management fails to provide a clear long-term objective for the alliance. Too often the goals and objectives for the alliance are not clearly communicated to the rank and file so that they may contribute to its success. Too often the alliance dies a silent death from neglect.

The critical skill . . . will be that of coordinating units that cannot be commanded but which have to work together. Peter Drucker

Managing an alliance can be frustrating: coordination must be the rule; diplomacy is a necessity; and the internal politics of allies are often confounding.

The process of managing an alliance is one of the best kept business secrets. It truly has been a mystery because it is not taught in any business school. Neither has it been effectively written down in any books or magazine articles.

The Shift From Strategy to Execution

Once an alliance has been initiated, responsibility for its success shifts from the strategists, deal makers, and top executives to the champions, alliance managers, and liaisons who seldom received any training to accomplish their task. It is amazing how innovative and adaptable some alliance managers have been to make their alliances "work." However, for those alliance managers who lack such skills, the result has often been alliance failure, frequently with severe repercussions on their companies or to their careers.

Each alliance begins with a stated mission and purpose. As time moves along, alliance leaders are asked to answer for the alliance, to guide its course and to energize its people. Each new challenge creates an opportunity and presents a problem to solve.

The Ultimate Goals

The ultimate goals in alliance management are achieving the desired strategic returns and maintaining a win/win relationship. To successfully attain these two goals, the alliance manager must be aware of several critical factors that distinguish the management of cooperative ventures from usual corporate experience:

- Managing the extended company requires new and different set of skills and control systems;
- The role of the middle manager in alliances changes significantly from tactician to strategist;
- Flexibility will be vital in adapting to change and maintaining a win/win condition;
- The differences among the partners' strengths, goals and styles will create conflicts as well as opportunities for success;
- Surrounding all actions must be a spirit of cooperation, constantly built and reinforced by the alliance team; and
- The process of governance for the mutual interests of all alliance partners is as critical as achieving the desired results.

Successful alliance management requires the mastery of these factors by knowing the time-tested principles and processes on which they are based.

Critical Alliance Management Principles

The architecture of the alliance can be founded on two essential management principles:

1. Integration
2. Interface Management

The application of these two principles will be required on virtually a daily basis.

Integration

Integration empowers the alliance. Without it, the alliance will never hold together. Integration cannot be ignored. The alliance partners develop linkages and shared ways of operating so that can work together smoothly. They build broad connections between many people at many organizational levels. Partners become both teachers and learners.

Without getting into detail in this brief article, integration can be accomplished through:

- Leadership (champion, alliance manager, management)
- Teamwork (cross-functional task forces and teams)

- Control by coordination (cross-functional decision making and problem-solving)
- Policies and values (establishing and maintaining trust)
- Consensus decision making (formal decision making)
- Resource commitments (technology, personnel, capital, etc.) and
- Lateral liaison (effective and timely communication and decision making)

Interface Management

Interface management involves the point of contact between two internal departments or any differentiated groups. Problems and complexities, whether organizational or technological, lie at the interfaces.

The role of the alliance integrator is to manage the interface to maximize people's ability to get the job done. Prior to alliance commencement, interfaces should be identified so that the potential points of conflict can be isolated beforehand and personnel assigned to head off potential problems.

All Alliance Partners Must Be Winners

The two basic objectives of management are to adapt the changing needs of the alliance and to get results. Maintaining the win/win condition is essential; with the presence of this condition, no strategic plan, no legal structure, no formal agreement and operational schedule will overcome such a fundamental deficiency. An alliance partner who perceives a losing condition will not perform well and may eventually undermine the alliance itself.

About Plenum Revenue Group, LLC

Based in Newport Beach, Calif., Plenum is a revenue development company for emerging and medium sized businesses. Working shoulder-to-shoulder with its clients, Plenum actively seeks out and delivers tangible revenue opportunities for its clients that drive incremental top-line growth and bottom-line results.

If it's time to begin working on your business by exploring revenue opportunities that will position your company for future top-line growth and bottom-line results, please call us today at 949.218.8657 or visit our website at www.plenumrevenuegroup.com

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