CORPORATE STRATEGY BOARD

Executive Inquiry • August 2000

INSTITUTIONALIZING ALLIANCE CAPABILITIES

A Platform for Repeatable Success

STUDY OBJECTIVE

This brief is intended for alliance-active companies striving to build organization-wide partnering capabilities. Although many companies have established dedicated alliance groups tasked with helping line managers develop skills to improve their alliance performance, most organizations continue to struggle with their institutionalization efforts. For strategists and business development executives overseeing dedicated alliance groups, or otherwise charged with extending alliance capabilities throughout the organization, this study focuses on the tools that are critical to the success of institutionalization initiatives:

- What alliance tools effectively standardize partnering processes, inform decisions and measure alliance performance? (pp. 18–33)

- How can toolkit owners draw on end users and existing alliances to keep tool content and features fresh? (pp. 35–39)

- How can companies overcome alliance participant skepticism of tool efficacy? (pp. 41–45)

---

ii

CORPORATE EXECUTIVE B·O·A·R·D

Corporate Strategy Board

2000 Pennsylvania Avenue NW
Washington, DC 20006
Telephone: 202-777-5000
Facsimile: 202-777-5100

166 Piccadilly
London, W1J 9EF
United Kingdom
Telephone: +44-(0)20-7499-8700
Facsimile: +44-(0)20-7499-9700

www.csb.executiveboard.com

Note to Members

This project was researched and written to fulfill the research request of several members of the Corporate Executive Board and as a result may not satisfy the information needs of all member companies. The Corporate Executive Board encourages members who have additional questions about this topic to contact their research manager for further discussion. The views expressed herein by third-party sources do not necessarily reflect the policies of the organizations they represent.

Professional Services Note

The Corporate Strategy Board has worked to ensure the accuracy of the information it provides to its members. This project relies upon data obtained from many sources, however, and the Corporate Strategy Board cannot guarantee the accuracy of the information or its analysis in all cases. Further, the Corporate Strategy Board is not engaged in rendering legal, accounting or other professional services. Its projects should not be construed as professional advice on any particular set of facts or circumstances. Members requiring such services are advised to consult an appropriate professional. Neither the Corporate Executive Board nor its programs are responsible for any claims or losses that may arise from any errors or omissions in their reports, whether caused by the Corporate Executive Board or its sources.

TABLE OF CONTENTS

iv

With Sincere Appreciation

Special Thanks

The Corporate Strategy Board would like to express its gratitude to the following individuals who were especially giving of their time and insight in the development of this study.

Prof. Benjamin Gomes-Casseres
Associate Professor and Director
  of MBAi Program
Graduate School of International
  Economics and Finance
Brandeis University
http://www.alliancestrategy.com
ben@alliancestrategy.com
781-736-2264

Ms. Dorothy Langer
President and Founder
Langer and Company
http://www.langerco.com
info@langer.com
617-367-0657

Ms. Larraine D. Segil
Founding Partner
The Lared Group
http://www.laredgroup.com
LSegil@LaredGroup.com
310-556-1778

Prof. Tyzoon Tyebjee
Department of Marketing
University of Santa Clara
Ttyebjee@scu.edu
408-554-4716

Mr. Ash Vasudevan
Founding Partner
International Center for Alliances,
  Networks and Strategic
  Innovation (ICANSI)
ash@icansi.com
Manager of Strategic Alliances
  and Research
CommerceNet Consortium, Inc.
ash@commerce.net
408-230-9476

Advisors to Our Work

The Corporate Strategy Board expresses its appreciation to all of the individuals and organizations who have so generously contributed their time and expertise to our work. Their contributions have been invaluable, and we extend our sincere thanks to all of these advisors.

Mr. George Cooney
Nortel Networks Corporation

Mr. Bruce Gitlin
Xerox Corporation

Ms. Maria Gonzalez
Bank of Montreal

Mr. Robert Horton
Royal Bank of Canada

Ms. Madelene Hunter
Bank of Montreal

Ms. Shamim Khan
WorldCom, Inc.

Ms. Lisa Lemire
Ocean Spray Cranberries, Inc.

Mr. Eric Lint
ABB Ltd.

Mr. Val Markos
BellSouth Corporation

Ms. Helene Mathern
Unisys Corporation

Mr. David Payton
FedEx Corporation

Mr. Ken Poutakidis
Ansett Australia

Mr. Greg Prynn
Cisco Systems, Inc.

Mr. Simon Redvers
Nortel Networks Corporation

Mr. Chris Robell
Hewlett-Packard Company

Ms. Claudia Rose
3M Company

Mr. Tom Santel
Anheuser-Busch Companies, Inc.

Mr. Sumeet Shroff
United Parcel Service, Inc.

Mr. Nelson Sims
Eli Lilly and Company

Mr. Greg Whitaker
Dow Corning Corporation

THE ARGUMENT IN BRIEF

Observation #1
Alliances account for an ever-increasing share of corporate revenue as they become a preferred method of achieving a range of strategic objectives; senior executives expect partnerships to contribute between one-quarter and one-third of top-line revenue in the next several years.

Observation #2
As companies increase alliance activity, partnership responsibility spreads to employees throughout the organization, challenging corporations to develop organization-wide alliance capabilities. Companies that successfully build such capabilities enjoy a favorable impact on market capitalization and benefit from the "virtuous cycle" of being able to attract (and learn from) quality alliance partners.

Observation #3
To help employees throughout the organization build partnering capabilities, many alliance-active companies have created dedicated alliance groups—typically located in the business development function—with a mandate to institutionalize alliance skills. The focus of such efforts is to leverage existing pockets of expertise and standardize approaches to partnering activities.

Observation #4
Designed to transfer alliance skills to the line, institutionalization programs enable companies to sidestep the classic centralization–decentralization trade-off: Corporate alliance groups establish a consistent approach to partnering activities across the company, at the same time achieving transactional speed and flexibility by devolving day-to-day management responsibilities to the line.

Observation #5
However, if the litmus test of institutionalization's success is its impact on companies' overall level of partnership performance, institutionalization efforts are coming up short: The corporate sector's persistently high alliance failure rate strongly suggests that many companies are having difficulty developing organization-wide alliance competencies.

Observation #6
Corporate Strategy Board research indicates that the root of institutionalization underperformance is that alliance tools are simply not being used; while the principal cause of disuse is that the tools themselves are ineffective or outdated, companies also fail to encourage inherently skeptical alliance participants to incorporate available tools into their partnership activities.

Observation #7   *Problem #1: Ineffective Tools*—While companies generally know which alliance tools to create, toolkit owners often fail to endow them with the features and content that end users find effective; common tool flaws include a lack of detailed content, a dearth of company-specific examples and an inflexible format.

Observation #8   *Problem #2: Outdated Tools*—Tools that are initially effective can drift into obsolescence over a period of years or even months when not monitored; in addition to the obvious hazard of obsolete content, tool features can also become outdated as alliance strategies evolve and end-user preferences change.

Observation #9   *Problem #3: Insufficient Encouragement for Tool Use*—Companies too often take for granted that employees will take advantage of tools that are effective and up to date, when in fact alliance participants tend to be skeptical or even ignorant of the tools' value; toolkit owners often fail to raise awareness of how and when to apply tools, rarely install accountability measures for tool use and neglect to provide easy access to the toolkit.

Observation #10   Successful institutionalization efforts establish a set of effective alliance tools and implement processes to ensure regular tool updates; companies supplement tools with dedicated efforts to encourage reluctant employees to incorporate the tools into their day-to-day alliance activities.

Observation #11   *Building an Effective Alliance Toolkit*—Companies create a set of core alliance tools that collectively support each stage of the alliance process, inform vital partnership decisions and measure alliance performance; by incorporating attributes such as in-depth content, an abundance of company-specific examples and a flexible format, companies enhance tool impact on end users' alliance performance.

Observation #12   *Keeping Tools Up to Date*—Vigilant toolkit owners install mechanisms to ensure that tool content and features remain fresh; companies often turn to their own alliances as a source of new content and engage end users in ongoing dialogues designed to identify and remedy outdated tool features.

Observation #13   *Encouraging Tool Use*—While effective and up-to-date tools tend to "sell themselves" to alliance participants, leading practitioners take additional measures to persuade skeptical participants that tools are relevant and valuable; companies heighten awareness through case-based training and on-the-job tools application, establish accountability mechanisms for tool use and leverage technology to make the toolkit more accessible.

viii

REPORT FROM THE FRONT

Alliances account for an ever-increasing share of corporate revenue as they become a preferred method of achieving a range of strategic objectives; senior executives expect partnerships to contribute between one-quarter and one-third of top-line revenue in the next several years.

Corporations increasingly look to alliances as a source of revenue...

Percentage of Revenue Derived from Alliances
1,000 Largest U.S. Companies, 1980–2002(E)
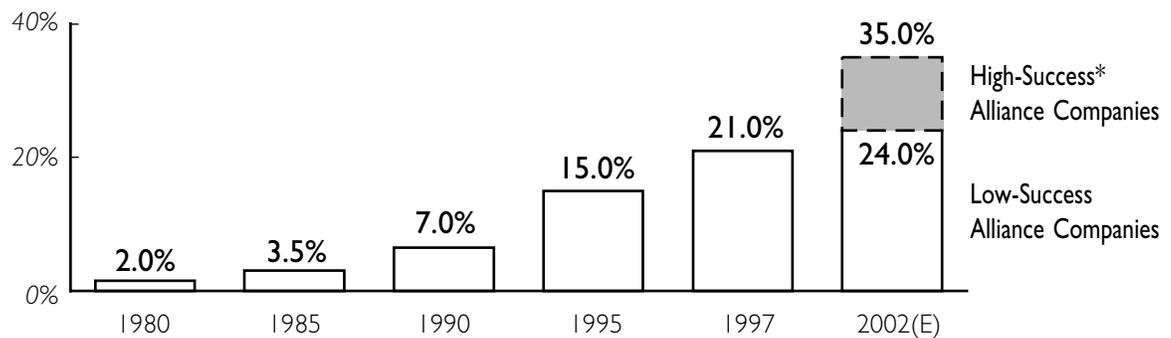
* "Success" based on companies' self-reported level of satisfaction with alliances relative to expectations.

Source: Data from Columbia University and the European Trade Commission, cited in Kathryn Harrigan, *Strategies for Joint Ventures,* Heath, 1985; studies by Booz•Allen & Hamilton, 1983–1987, 1988–1992, 1994–1996, cited in John R. Harbison and Peter Pekar Jr., *Smart Alliances: A Practical Guide to Repeatable Success*, Jossey-Bass, 1998: 1, 28.

...and a means to fulfill strategic objectives

How Executives Plan to Fulfill Strategic Objectives
Telecommunications Industry, 1999

Preferred Method

Strategic Objectives	Alliances	Organic/ Internal Development	Outsourcing	Joint Ventures	Mergers & Acquisitions
Entry into New Markets	1	2	5	3	4
Speed to Market	1	2	5	3	4
Greater Flexibility	1	2	3	4	5
Access to Others' Competencies	1	4	5	2	3
Sharing Knowledge Capital	1	3	5	2	4
Lower Costs (R&D/Distribution)	1	4	2	3	5

Source: Economist Intelligence Unit, cited in David Molony, "New Alliances Key to Operator Plans," *Communications Week International* (6 September 1999).

As companies increase alliance activity, partnership responsibility spreads to employees throughout the organization, challenging corporations to develop organization-wide alliance capabilities.

Heightened alliance activity within companies...

Number of Alliances Formed by Average Large Company, 1996–1999*

Number of Alliances Formed in Three-Year Period

Asia	Europe	United States
92	121	138
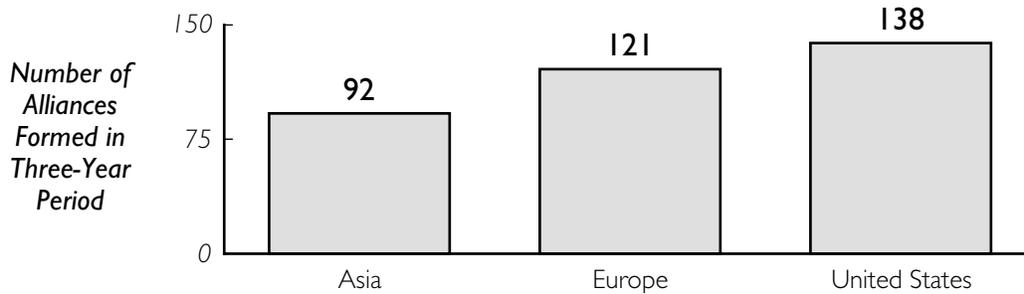
* "Large company" defined as having more than $2 billion in revenue.

Source: Andersen Consulting, "Alliances Proliferate Yet Sixty-One Percent Fail or Underperform, Says Andersen Consulting Study," http://www.ac.com/news/newsarchive/9.99/newsarchive_092799.html (27 September 1999).

...creates the need for organization-wide alliance skills

Framework for Critical Alliance Capabilities

Strategic Consistency
Trust
Staff Resource Management
Attitudes & Commitment
Governance/ Decision Making
Cultural Compatibility
MANAGEMENT
Functional Capability
CULTURE
Equity
Legal Agreement
Performance Incentives
ORGANIZATION & WORK PROCESSES
Roles, Organization, Teamwork
Conflict Resolution
Supportive Infrastructure
Communication and Info-Sharing
Business Processes

Increased alliance activity requires a targeted effort to develop a wide set of alliance capabilities

EXPANDING THE RANKS OF ALLIANCE PARTICIPANTS

"Managing a portfolio of 30 or more alliances is fundamentally different from managing a few scattered joint ventures.…Alliance capabilities must be transferred from the elite deal makers to the army of line managers."

Andersen Consulting LLC
"Dispelling the Myths of Alliances"

Source: Rule, Eric, "High-Performing Strategic Alliances," PricewaterhouseCoopers, August 1999; Andersen Consulting, "Dispelling the Myths of Alliances," September 1999.

Companies that successfully build partnering capabilities enjoy a favorable impact on market capitalization and benefit from the "virtuous cycle" of being able to attract (and learn from) quality alliance partners.
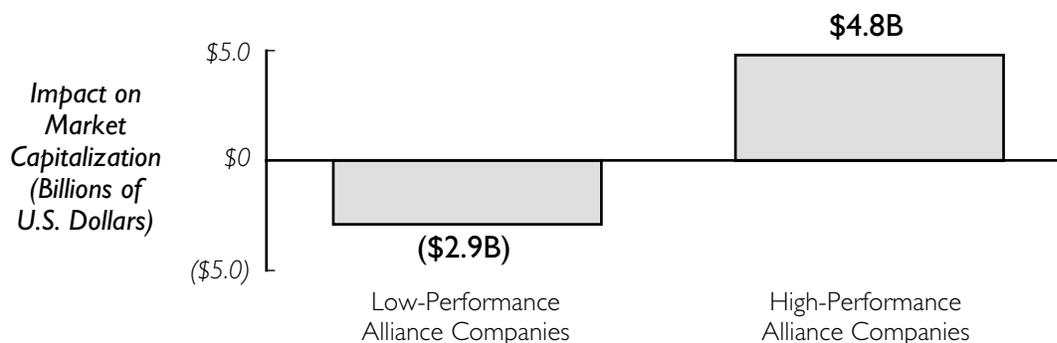
Strong organizational alliance capabilities bring financial benefits...

Average Impact of Alliances on Firm Market Capitalization, 1999*

Impact on Market Capitalization (Billions of U.S. Dollars)

$5.0

$0

($5.0)

$4.8B

($2.9B)

Low-Performance Alliance Companies

High-Performance Alliance Companies

* High-performance companies defined as the 15 companies (of 2,000 in an Andersen Consulting study) with the highest market capitalization impact from their alliances; low-performance companies are the 15 companies with the lowest (or most negative) impact.

Source: Andersen Consulting data, cited in Brett Clegg, "Alliances Alive, But Not Necessarily Well," *Australian Financial Review* (8 October 1999): 20.

...and preferred strategic partnering opportunities

Positive Feedback Loop of Successful Alliance Capability Development

① Favorable Alliance Experience (High Success Rate)

The Virtuous Cycle

④ Accelerated Learning, Growing Confidence

② Growing Alliance "Brand" and Expanding Network of Contacts

③ Ability to Attract Quality Partners, Inside the "Deal Flow"
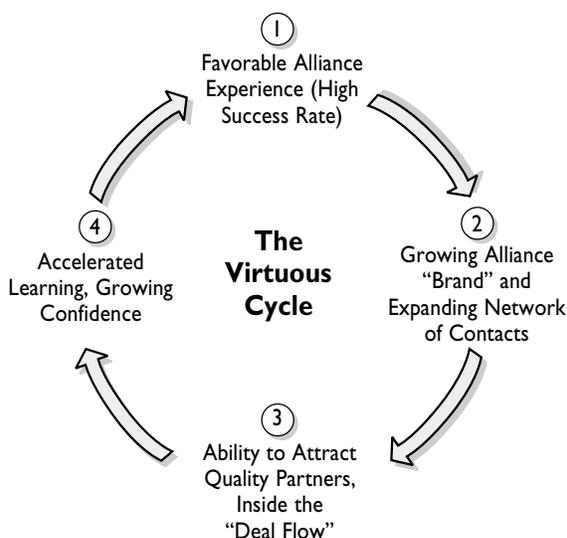
DEVELOPING A STRONG ALLIANCE REPUTATION

"As the number of alliances increases, so inevitably will competition increase for the best alliance partners. Potential partners will not only evaluate one another from a business perspective, they will also carefully assess whether their potential spouse has the relationship track record and skills to make the alliance succeed."

PricewaterhouseCoopers LLC "High-Performing Strategic Alliances, Joint Ventures and Partnering Agreements"

Source: Rule, Eric, "High-Performing Strategic Alliances," PricewaterhouseCoopers, August 1999; Working Council for Chief Financial Officers research; Corporate Strategy Board research.

To help employees throughout the organization build partnering capabilities, many alliance-active companies have created dedicated alliance groups—typically located in the business development function—with a mandate to institutionalize alliance skills. The focus of such efforts is to leverage existing pockets of expertise and standardize approaches to partnering activities.

Companies have established dedicated alliance groups...

Percentage of Companies with Dedicated Alliance Groups, 1997

Alliance Group in Place

58%

42%

No Alliance Group
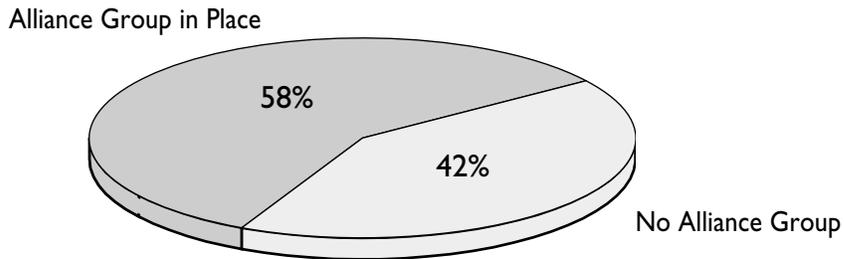
Source: Booz•Allen & Hamilton 1997 survey, cited in John R. Harbison and Peter Pekar Jr., *Smart Alliances: A Practical Guide to Repeatable Success,* Jossey-Bass, 1998: 146.

...charged with institutionalizing alliance capabilities

Percentage of Companies Using Alliance Knowledge Management, 1999

No Involvement in Alliance Knowledge Management

30%

70%

Low to High Involvement in Alliance Knowledge Management
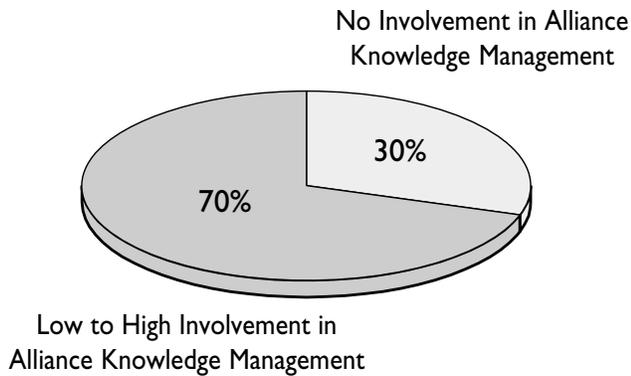
Percentage of Companies with Alliance Process in Place, 1997

No Process

33%

67%

Process in Place

Source: Singh, Harbir, and Prashant Kale, "Building Alliance Capability," *Managing Knowledge Flows and Transfers* conference report, http://emertech.wharton.upenn.edu/ emertech/ConfRpts_Fold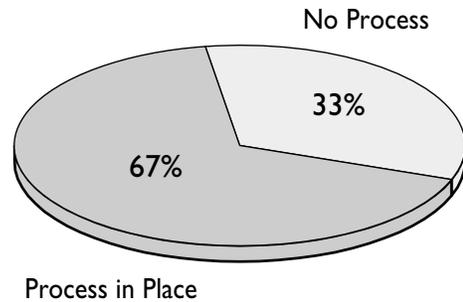er/cfKnowFlo.html (21 May 1999); Booz•Allen & Hamilton 1997 survey, cited in John R. Harbison and Peter Pekar Jr., *Smart Alliances: A Practical Guide to Repeatable Success,* Jossey-Bass, 1998: 146.

Institutionalization Efforts Span Industries

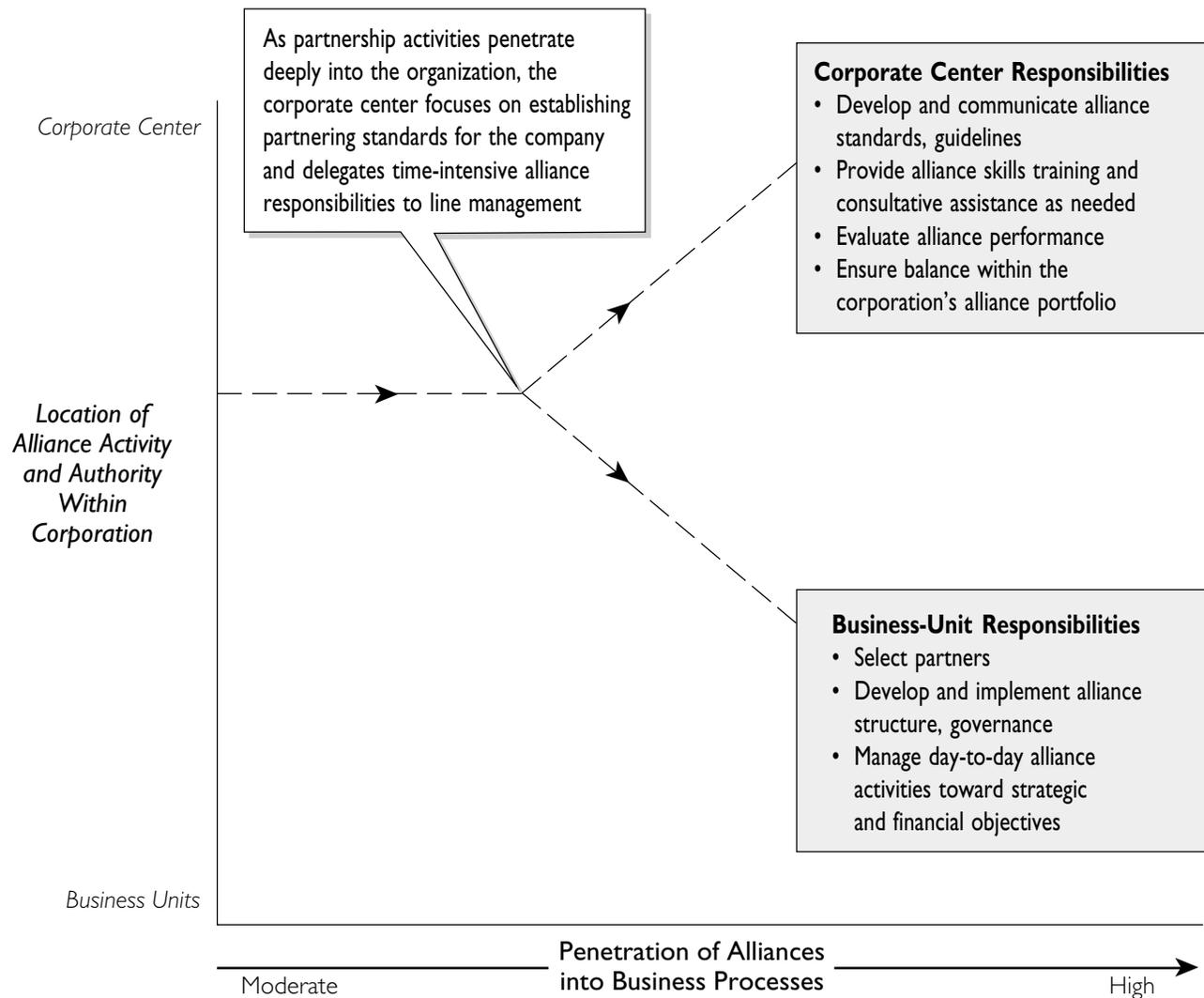Representative Institutionalization Programs, 1992–2000

Company, Industry	Year Established	Objective(s)	Seat of Responsibility
Hewlett-Packard Company *Diversified Computer Products*	1992	• Establish infrastructure enabling end-to-end alliance knowledge management	• Corporate development and education departments share institutionalization responsibilities
Dow Corning Corporation *Diversified Chemicals*	1996	• Provide business units with tools to improve their alliance performance • Collaborate with business units to overcome specific alliance challenges	• New Business Market Development Team facilitates and contributes to alliances, portfolio planning and scenario planning
Nortel Networks Corporation *Telecommunications*	1997	• Train alliance participants to address emerging alliance challenges • Provide employees with support for all activities throughout the course of an alliance	• Virtual Alliance Team within Corporate Development reports to Senior Vice President of Market Access
Eli Lilly and Company *Pharmaceuticals*	1999	• Provide alliance teams with training, tested processes, tools, knowledge-management system and consulting services	• Office of Alliance Management reports to Senior Vice President of Corporate Strategy and Policy
Bank of Montreal *Financial Services*	1999	• Consult with lines of business to provide tools and processes for developing the alliance strategy, implementing the alliance and managing the ongoing partnership • Expedite the alliance process through the centralized hub by providing access to internal and external expertise as well as previous alliance best practices	• Strategic Alliance Center of Excellence reports to Vice Chair of Personal and Commercial Client Group
3M Company *Diversified Industrial Products*	2000	• Develop processes and tools in strategy, execution and integration phases of business alliances • Communicate processes and tools to facilitate a well-managed alliance process that contributes to accelerated growth	• Corporate Financial Service and Market Center Business Development Directors assume alliance responsibilities and report to their respective executive vice presidents
Unisys Corporation *Electronic Business Solutions, Technology and Services*	2000	• Create a central repository of alliance knowledge and resources • Leverage alliance portfolio network effects to increase the overall value alliances generate for the company	• Virtual, cross-corporate alliance team under direction of Vice President of Corporate Alliance Partners

Source: The Alliance Analyst, "Two Grandmasters at the Extremes," http://www.allianceanalyst.com/Grand.html (25 November 1994); Corporate Strategy Board research.

Designed to transfer alliance skills to the line, institutionalization programs enable companies to sidestep the classic centralization–decentralization trade-off: Corporate alliance groups establish a consistent approach to partnering activities across the company, at the same time achieving transactional speed and flexibility by devolving day-to-day management responsibilities to the line.

Institutionalization Can Deliver the Benefits of Both Centralization and Decentralization

Distribution of Alliance Responsibilities, Typical Institutionalization Program

As partnership activities penetrate deeply into the organization, the corporate center focuses on establishing partnering standards for the company and delegates time-intensive alliance responsibilities to line management

Corporate Center

Corporate Center Responsibilities
- Develop and communicate alliance standards, guidelines
- Provide alliance skills training and consultative assistance as needed
- Evaluate alliance performance
- Ensure balance within the corporation's alliance portfolio

Location of Alliance Activity and Authority Within Corporation

Business-Unit Responsibilities
- Select partners
- Develop and implement alliance structure, governance
- Manage day-to-day alliance activities toward strategic and financial objectives

Business Units

Penetration of Alliances into Business Processes

Moderate   High

Source: Corporate Strategy Board research.

If the litmus test of institutionalization's success is its impact on companies' overall level of partnership performance, institutionalization efforts are coming up short: The corporate sector's persistently high alliance failure rate strongly suggests that many companies are having difficulty developing organization-wide alliance competencies.

Despite Ongoing Initiatives to Build Alliance Capabilities, Performance Has Failed to Improve

Selected Surveys of Alliance Failure Rates

Alliance Researchers	Year	Observed Failure Rate
McKinsey & Company	1993	33%
The Darden School (Prof. Robert Spekman)	1996	60%
KPMG	1996	70%
Coopers & Lybrand	1998	50%
Andersen Consulting	1999	61%
The Lared Company	2000	60%

FAILURE DEFINED

While some academic and consulting surveys have attempted to gauge alliance performance based on factors such as duration and method of dissolution, use of these metrics does not properly account for an alliance's success at producing both financial and nonfinancial benefits for the partner companies. The studies cited above typically ask survey participants whether their alliances achieved the majority of the strategic goals established at the outset, or if they generated other unanticipated benefits. For further discussion of alliance performance evaluation, please refer to page 31 of this study.

Source: Corporate Strategy Board research.

Main causes of alliance failure appear unmitigated by institutionalization...

Selected Causes of Underperformance and Representative Institutionalization Measures Used to Address Them, 1999

% of Companies Citing As Cause of Failure*	Selected Causes of Alliance Failure	Typical Measures Companies Use to Address Problems
87%	Shift in partners' strategic objectives	Up-front partner assessment and mandatory strategic alignment discussions
83%	Management attention wanders	Periodic assessments of alliance managers' performance by dedicated alliance group
81%	Contamination from other alliances	Tracking of cross-organizational alliances through alliance status database
69%	Clashes of corporate culture	Explicit decision rules designed to minimize impact of cultural differences
62%	Alliance experts move on	Centralized, searchable repository of alliance knowledge and resources

* Respondents were permitted to select multiple causes of alliance failure.

Source: Pillemer, Francine, and Steve Racioppo, "A Structure for Collaboration," The Alliance Analyst, http://www.allianceanalyst.com/subscribers/Article1DecNew99.html (15 December 99): 3; Corporate Strategy Board research.

...indicating that many institutionalization efforts are coming up short

Reported Success in Addressing Key Alliance Challenges, 2000*

(5 = Very Successful, 1 = Not at All Successful)

Bar chart — Aggregate Score:
- Designing Strategic Partnerships: 3.04
- Customizing Alliance Governance Models: 2.83
- Securing Organization-Wide Engagement: 2.66
- Managing Alliance Skills Transfer: 2.54
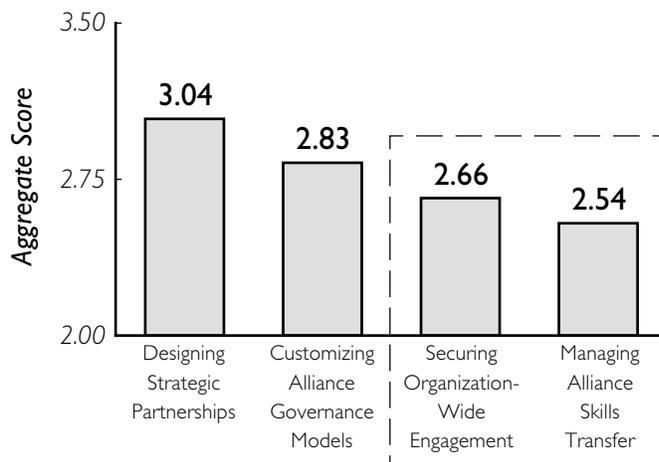
┌─ NOT MEETING EXPECTATIONS ─┐

"Companies' first stabs at institutionalization have largely fallen short. Consequently, companies are in the midst of regrouping in order to better implement the types of resources and tools they have created, but that are not improving their alliance performance."

Helene Mathern
VP of Marketing Process Mgmt.
Unisys Corporation

* n = 112.

Source: Preliminary results of Corporate Strategy Board 2000 member survey.

Source: Unisys Corporation.

Corporate Strategy Board research indicates that the root of institutionalization underperformance is that alliance tools are simply not being used; while the principal cause of disuse is that the tools themselves are ineffective or outdated, companies also fail to encourage inherently skeptical alliance participants to incorporate available tools into their partnership activities.

Low Alliance Tool Use Underlies Stalled Institutionalization Efforts

Principal Root Causes of Low Tool Use

```
                    Alliance participants do
                    not use tools because…

      ┌───────────────────────┼───────────────────────┐

  …tools are ineffective   …formerly effective    …companies do not
                           tools are outdated      encourage tool usage

  Tools contain cursory    Tool content is        Companies do not make
  or incomplete content    obsolete               employees aware of
                                                  existing tools or how
  Tools lack compelling    Tool features no longer to apply them
  examples from which      satisfy user preferences
  users can draw parallels                        Companies fail to
  to their own work                               provide performance
                                                  incentives for use
  Inflexible tool format
  is incompatible with                            Tools are scattered in a
  multiple end-user                               variety of locations and
  objectives                                      technology applications
```

Source: Corporate Strategy Board research.

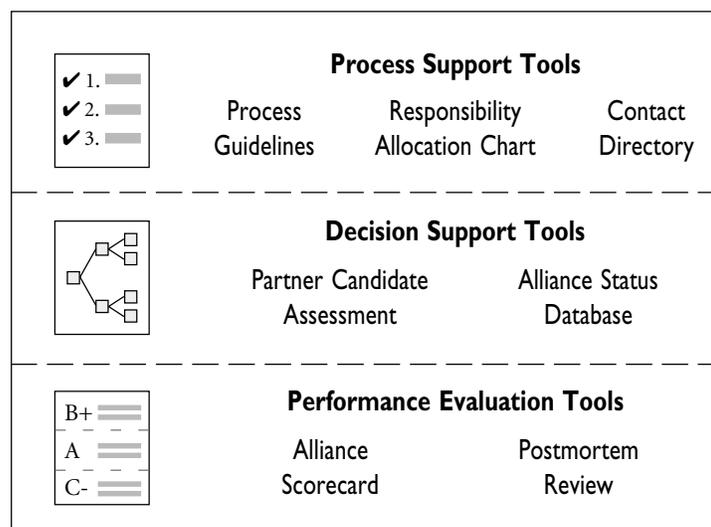*Problem #1: Ineffective Tools*—While companies generally know which alliance tools to create, toolkit owners often fail to endow them with the features and content that end users find effective; common tool flaws include a lack of detailed content, a dearth of company-specific examples and an inflexible format.

Typical Alliance Toolkits Lack Critical Attributes

Standard Toolkit and Tool Characteristics

Process Support Tools

✔ 1.
✔ 2.
✔ 3.

| Process Guidelines | Responsibility Allocation Chart | Contact Directory |

Decision Support Tools

Partner Candidate Assessment   Alliance Status Database

Performance Evaluation Tools

B+
A
C-

Alliance Scorecard   Postmortem Review

Characteristics of Typical Tools

- **Shallow Content:** Lack of detailed information on alliance activities, tool-use protocols and existing partnerships fails to guide employees through challenging activities and decisions.

- **Lack of Company-Specific Examples:** An absence of examples from the company's own alliances prevents tools from resonating with end users because they have difficulty drawing parallels to their own experiences.

- **One-Dimensional Tool Format:** Inflexible tool structures, built to satisfy the needs of a specific type of user, are difficult for other users to access and navigate at multiple entry points.

Characteristics of Successful Tools

- **Detailed Content:** Comprehensive information on alliance developments, objectives and guidelines fully prepares employees to take an informed and consistent approach to alliances.

- **Internal Example Orientation:** An abundance of supporting examples based on familiar partnerships enables end users to more easily adapt tools to their own activities.

- **Adaptability to Various User Objectives:** A flexible tool format is easily navigable and features multiple points of entry, accommodating end users with different objectives.

Source: Corporate Strategy Board research.

Problem #2: Outdated Tools—Tools that are initially effective can drift into obsolescence over a period of years or even months when not monitored; in addition to the obvious hazard of obsolete content, tool features can also become outdated as alliance strategies evolve and end-user preferences change.

Alliance Tool Content and Features Are Perishable

Alliance Tool Susceptibility to Outdated Content, Features

> While all alliance tools require periodic recalibration, some are particularly reliant on up-to-date content, while others require that features and format be revisited frequently

	Tool	Content Perishability	Feature Perishability
Process Support Tools	Process Guidelines		X
	Responsibility Allocation Chart		X
	Contact Directory	X	
Decision Support Tools	Partner Candidate Assessment		X
	Alliance Status Database	X	
Performance Evaluation Tools	Alliance Scorecard	X	
	Postmortem Review		X

Source: Corporate Strategy Board research.

DANGERS OF THE STATUS QUO

"As processes and activities become ingrained in organizational behavior, it becomes more difficult to objectively assess best and worst practices. As employees perform alliances more regularly, they stop considering what is going well and what could be improved; this presents a challenge for making improvements to the infrastructure because people are less thoughtful regarding their needs.…Companies without formal mechanisms to ensure continuous resource update may be wasting their time with institutionalization."

Bruce Gitlin
Director of Alliances
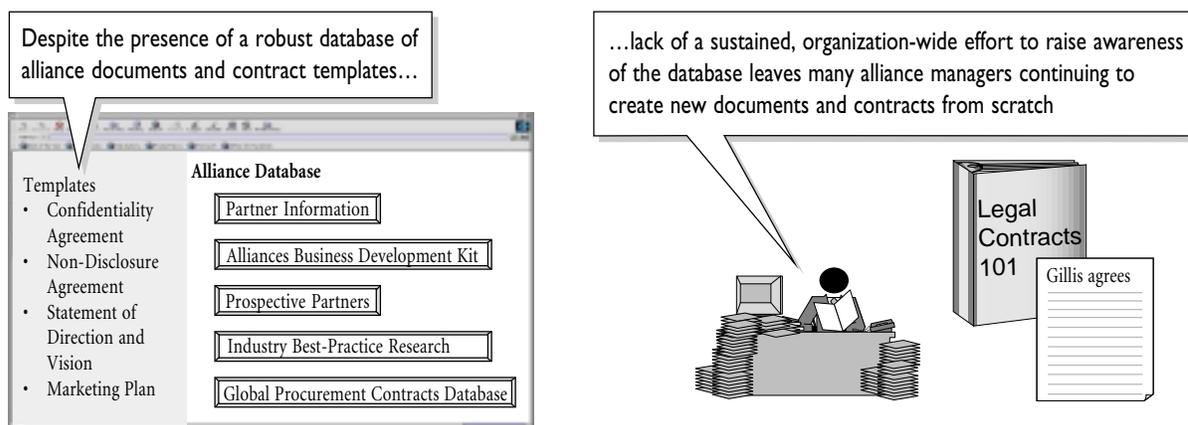Xerox Corporation

Source: Xerox Corporation.

Problem #3: *Insufficient Encouragement for Tool Use*—Companies too often take for granted that employees will take advantage of tools that are effective and up to date, when in fact alliance participants tend to be skeptical or even ignorant of the tools' value; toolkit owners often fail to raise awareness of how and when to apply tools, rarely install accountability measures for tool use and neglect to provide easy access to the toolkit.

Companies Often Fail to Promote Effective Tools

CASE IN POINT: GILLIS CORPORATION*

- Gillis Corporation* is a $10 billion to $20 billion (1999) diversified manufacturer that maintains several hundred alliances distributed throughout its five business units.

- Alliance managers in Gillis's North American operating unit built and maintain an alliances page on the corporate intranet to support alliance participants throughout the company with tools and information. One especially valuable tool is a set of alliance templates designed to save alliance managers time in developing documents and contracts for their own partnerships. The alliances page also contains a link to a database of existing supplier contracts to inform participants of Gillis's current relationships.

- Despite the value of this tool and Gillis's alliance group's commitment to frequently populating the tool with new contract templates, information and other resources, the challenge is ensuring consistent, regular communication to encourage and promote tool and resource utilization for the company's more than 100 alliance managers.

Gillis's Alliance Database

Despite the presence of a robust database of alliance documents and contract templates…

Templates
- Confidentiality Agreement
- Non-Disclosure Agreement
- Statement of Direction and Vision
- Marketing Plan

Alliance Database
- Partner Information
- Alliances Business Development Kit
- Prospective Partners
- Industry Best-Practice Research
- Global Procurement Contracts Database

…lack of a sustained, organization-wide effort to raise awareness of the database leaves many alliance managers continuing to create new documents and contracts from scratch

Legal Contracts 101

Gillis agrees

PUBLICIZING ALLIANCE TOOLS

"Our efforts to publicize the tools to alliance participants throughout the company have been ad hoc and largely ineffective. As employees who are familiar with established alliance tools and information switch positions within Gillis, or leave the company, collective knowledge of the resources declines and they do not get used. Gillis is addressing this problem with a targeted effort to raise awareness of available tools and resources and encourage employees throughout the organization to make use of them."

Vice President, Alliances
Gillis Corporation

* Case disguised.

Source: Gillis Corporation; Corporate Strategy Board research.

Successful institutionalization efforts establish a set of effective alliance tools and implement processes to ensure regular tool updates; companies supplement tools with dedicated efforts to encourage reluctant employees to incorporate the tools into their day-to-day alliance activities.

A Platform for Repeatable Success

Section One: Building an Effective Alliance Toolkit

KEY QUESTIONS ADDRESSED

What types of tools:

- Help to standardize alliance processes across the organization?

- Inform vital decisions made by alliance participants?

- Holistically measure alliance performance?

Essential Alliance Tools

Process Support Tools (p. 20)

Decision Support Tools (p. 26)

Performance Evaluation Tools (p. 31)

Representative Companies

Section Two: Keeping Tools Up to Date

KEY QUESTIONS ADDRESSED

- How can toolkit owners keep tool features aligned with end-user needs?

- How should companies capitalize on active partnerships to refresh tools?

Practice #1: Ongoing Tool Review (p. 36)

Practice #2: "Live" Alliance Lessons Capture (p. 38)

Section Three: Encouraging Tool Use

KEY QUESTIONS ADDRESSED

- How can toolkit owners overcome alliance participant skepticism of tool efficacy?

- How can companies leverage technology to make tools more accessible?

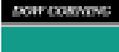**Practice #3: Tool Effectiveness Reinforcement** (p. 42)

Practice #4: Alliance Portal (p. 44)

Source: Corporate Strategy Board research.

SECTION ONE

Building an Effective Alliance Toolkit

Research discussions with alliance-active companies have yielded a set of tools that organizations consider essential to institutionalization. The following section highlights examples of tools that exhibit essential attributes and contain notable features. The section covers three broad categories of tools: 1) those that support elements of the alliance process, 2) those that inform critical partnership decisions and 3) those that measure alliance performance.

A NOTE ON LESSONS LEARNED

Alliance-active members may be surprised that a "lessons learned" compilation is not listed here as an essential tool. Many companies capture learning from internal and external sources, using findings to populate stand-alone documents for alliance participants to access at their discretion. Though well intentioned, alliance participants often underutilize these repositories because they simply do not take the time to seek out such information independent of other tools.

Corporate Strategy Board research indicates that integrating lessons learned into other alliance tools more effectively encourages end users to read and incorporate the information into their partnership activities. The following section contains several examples of lessons learned embedded within different types of alliance tools. In addition, Section Two features a practice used by Nortel Networks to update their tools with lessons learned from "live" Nortel alliances (pp. 38–39).

Overview: Alliance Toolkit Framework

	Process Support Tools	Decision Support Tools	Performance Evaluation Tools
Questions Addressed	• What are the critical activities at each stage of the alliance life cycle? • What is the optimal sequence in which to perform alliance activities? • How can partners allocate responsibilities and decision-making authority?	• What information on current or potential alliances already exists within the company? • How can companies evaluate partner candidates? • Who can assist alliance managers in making critical decisions?	• What financial and strategic metrics should companies monitor to assess alliance health? • How can companies measure "soft" value in partnerships? • What lessons should be captured from just-completed alliances?
Profiled Tools	Process Guidelines (pp. 20–21) Responsibility Allocation Chart (pp. 22–23) Contact Directory* (pp. 24–25)	Alliance Status Database (pp. 26–27) Partner Candidate Assessment (pp. 28–29) Contact Directory* (pp. 24–25)	Alliance Scorecard (pp. 31–32) Postmortem Review (pp. 31, 33)
Benefits to Line Management	• Enables alliance managers to increase the speed at which they perform activities and consequently devote more time to building relationships	• Provides a richer set of inputs to complex alliance decisions and communicates general expectations regarding company tolerance for risk	• Sets clear performance expectations for managers and provides lessons learned from company experience
Benefits to Senior Management	• Instills confidence that alliance managers across the company will take a consistent approach to partnership activities	• Offers some assurance that alliance managers will make reasonably well-informed decisions without the company having to impose overly restrictive decision-approval processes	• Affords executives greater visibility into individual alliance performance and allows them to better gauge organizational partnering capabilities

* Tool serves multiple purposes.

Source: Corporate Strategy Board research.

Process Support Tools

Process Guidelines

Although alliance participants are familiar with most of the activities they must perform, process guidelines serve as a mechanism to prevent them from skipping less obvious activities and ensure that all steps in the process are appropriately sequenced. Providing a complete and properly ordered list of basic partnering activities brings a measure of rigor and standardization to a company's alliance approach, while saving participants the time it would take to conceive of and organize these activities independently.

Problem Addressed

- *Sporadic Alliance Involvement*—The majority of alliance participants conduct alliance activities only periodically, putting them at risk of neglecting important steps in the process or sequencing activities incorrectly.

Features

- *Comprehensive Activity Checklist*—A complete list of properly sequenced alliance activities, grouped according to process stages, frees participants to perform activities efficiently and focus on larger challenges such as building relationships within the alliance.

- *"Double-Click" Structure*—Multilayer packaging provides a road map of the entire process as well as progressively more specific layers of information on discrete sets of activities. This "drill-down" format accommodates various user objectives, including continuous guidance—where the end user relies on the tool throughout all steps in the process—as well as trouble shooting, where the end user accesses the tool to diagnose and address problems as they arise.

- *Built-In Lessons Learned*—Best practices and critical success factors are included with the description of each process step, reaching end users while they are in the midst of activities that the lessons address.

Making Better Use of Managers' Time

"Each alliance tends to be dynamic and unique, and partnering activities tend to thwart the use of formal processes. It is still necessary to relieve alliance managers from the need to create a relationship on the fly, with no guidance, and enable them to focus on establishing a healthy relationship. Dow Corning does not want alliance managers wasting their time (re)creating the process each time. As a result, Dow Corning's established process contributes speed and quality to alliances by homing the managers in on the important issues and explaining the expected outcomes."
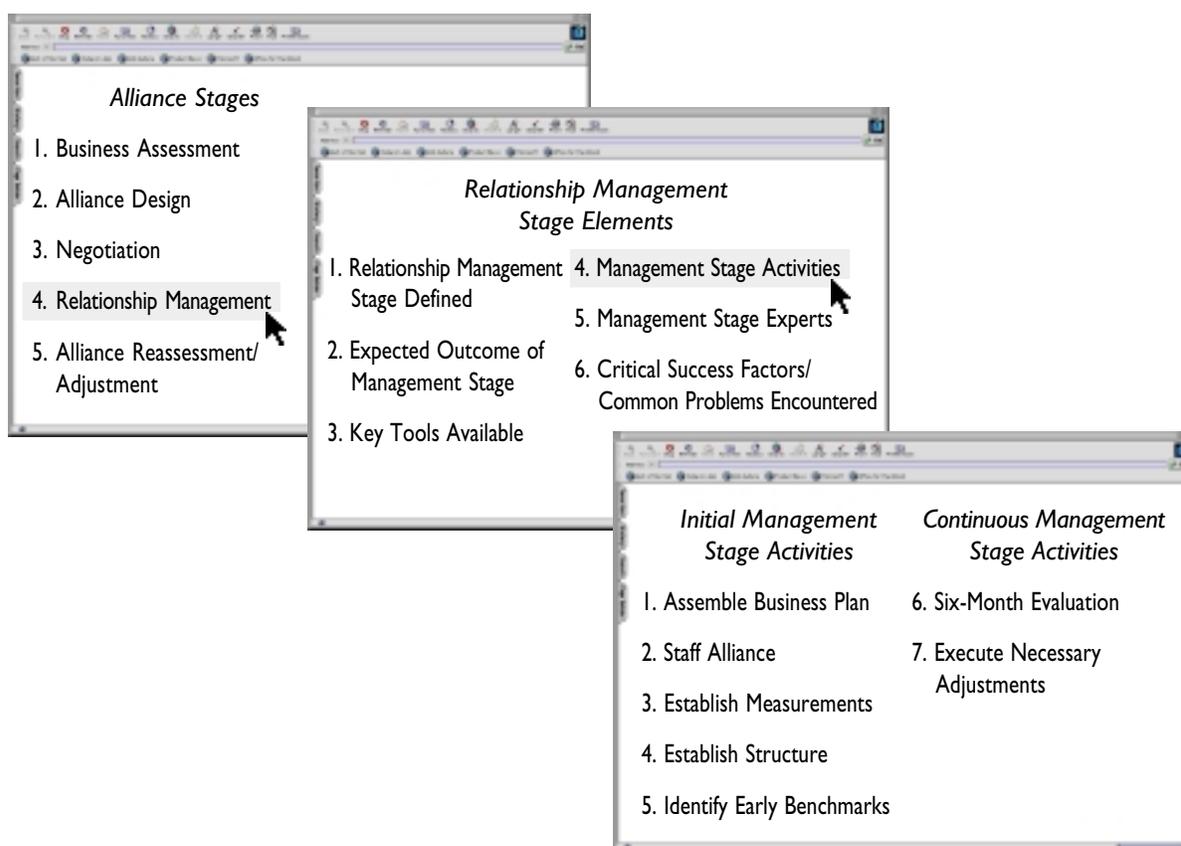
Greg Whitaker
Senior New Business Market Development Specialist
Dow Corning Corporation

Source: Dow Corning Corporation; Corporate Strategy Board research.

Comprehensive Process Accommodates Multiple User Objectives

CASE IN POINT: DOW CORNING CORPORATION

- Dow Corning Corporation, the result of a 1940s joint venture between Corning, Inc. and The Dow Chemical Company, is a $2.6 billion (1999) manufacturer of silicon products.

- The centerpiece of a 1996 initiative to develop organization-wide alliance capabilities, Dow Corning's "double-click" alliance process enables employees to quickly access different components of the process, efficiently fulfilling a variety of alliance objectives.

Dow Corning's Alliance Process Guidelines (Selected Components)

Alliance Stages

1. Business Assessment
2. Alliance Design
3. Negotiation
4. Relationship Management
5. Alliance Reassessment/ Adjustment

Relationship Management Stage Elements

1. Relationship Management Stage Defined
2. Expected Outcome of Management Stage
3. Key Tools Available
4. Management Stage Activities
5. Management Stage Experts
6. Critical Success Factors/ Common Problems Encountered

Initial Management Stage Activities

1. Assemble Business Plan
2. Staff Alliance
3. Establish Measurements
4. Establish Structure
5. Identify Early Benchmarks

Continuous Management Stage Activities

6. Six-Month Evaluation
7. Execute Necessary Adjustments

Variety of User Objectives

Activity-Set Overview: Business development specialist called in to reposition relationship uses process to obtain an overview of activities involved in evaluating and adjusting the alliance.

End-to-End Guidance: First-time alliance manager relies on complete activity set as daily point of reference for all alliance activities.

Troubleshooting Advice: Experienced alliance manager quickly locates troubleshooting advice specific to the relationship management stage.

Source: Dow Corning Corporation; Corporate Strategy Board research.

Process Support Tools

Responsibility Allocation Chart

A responsibility allocation chart contains a comprehensive list of alliance activities and decisions, mapped to specific stakeholders, with clear definitions of each participant's level of authority and accountability throughout the alliance's life cycle. Establishing and documenting ownership rights at the outset of an alliance minimizes conflicts between alliance participants and ensures that qualified stakeholders complete activities and make necessary decisions.

Problems Addressed

- *Unwieldy Decision-Making Process*—A large number of employees from two (or more) partner companies typically share alliance responsibilities, and the decision-approval process can vary based on the significance and complexity of each decision. Having to identify decision owners on an ad hoc basis often prevents important decisions from being made in a timely fashion.

- *Conflicting Decisions*—Conflicts can arise when participants who are operating in an environment of undefined authority unilaterally make decisions that impact the entire partnership.

Features

- *Streamlined Decision Making*—Inventory of decisions and stakeholders clearly defines the appropriate level of authority that each alliance participant holds over a comprehensive list of responsibilities, resulting in an efficient and reasonably predictable decision process.

- *Transparent Performance Accountability*—Because stakeholders are responsible for explicitly defined alliance activities and decisions, expectations are clear and performance can be evaluated more accurately.

Setting Clear Lines of Authority

"Creating a decision inventory for each stakeholder allows [alliance participants] to see the range (and limits) of their authority over the alliance, including for which decisions they must serve as decision driver…[the company] should link stakeholders' incentives to the successful exercise of their defined authority—and the discipline to stay within the confines of [this authority]."

Francine Pillemer and Steve Racioppo
"A Structure for Collaboration"

Source: Pillemer, Francine, and Steve Racioppo, "A Structure for Collaboration," The Alliance Analyst, http://www.allianceanalyst.com/subscribers/Article1DecNew99.html (15 December 1999); Corporate Strategy Board research.

Establishing Accountability for Alliance Responsibilities

A Framework for Allocating Activities

- Finding that many alliance executives forge partnerships without a systematic structure for decision making, consultants Francine Pillemer and Steve Racioppo create a framework that enables organizations to take a coordinated approach to alliance decisions.

- The consultants recommend that companies: 1) designate a task force of executives from each parent company to brainstorm a comprehensive list of decisions and stakeholders, 2) establish guiding principles for the alliance, 3) create a decision spectrum and 4) map decisions to the appropriate stakeholders.

Representative Responsibility Allocation Chart

Exhaustive list of activities and decisions mapped to key alliance participants…

…assigns the appropriate level of responsibility or involvement to specific stakeholders

Sub-columns for each stakeholder (left to right): Delegate, Keep Informed, Consult First, Decide Jointly, Decide

Activities	Board of Directors					Alliance Managers					Parent CEOs					Manufacturing Staff					Marketing Staff				
	Del	KI	CF	DJ	Dec	Del	KI	CF	DJ	Dec	Del	KI	CF	DJ	Dec	Del	KI	CF	DJ	Dec	Del	KI	CF	DJ	Dec
Approve assumption of debt		●							●					●			●					●			
Sign long-term contracts			●						●						●		●					●			
Set distributions/dividends				●					●			●					●					●			
Set transfer prices		●								●	●	●							●						●
Approve annual plan/budget				●					●						●		●						●		
Train sales representatives	●							●					●				●								●
Manufacture product	●						●						●					●	●						
Establish manufacturing budget			●							●			●						●			●			
Dissolve relationship				●				●			●						●					●			

Source: Pillemer, Francine, and Steve Racioppo, "A Structure for Collaboration," The Alliance Analyst, http://www.allianceanalyst.com/subscribers/Article1DecNew99.html (15 December 1999); Corporate Strategy Board research.

PROCESS SUPPORT TOOLS

── CONTACT DIRECTORY ──

Alliance contact directories complement other alliance tools by providing alliance participants with firsthand access to expertise from inside and outside the company. Participants can use searchable directories of detailed internal and external contact profiles to build a network of alliance support.

Problem Addressed

- *Hidden Alliance Expertise*—Alliance participants at global organizations are located throughout geographically dispersed lines of business and are typically unaware of reliable internal and external alliance experts they can call upon for guidance.

Features

- *Broad Internal Content*—Directories feature internal alliance managers, subject matter experts within specific functions (e.g., legal, human resources) and alliance specialists knowledgeable about corporate-level alliance considerations, including corporate partnering objectives, strategic implications and trends in partnering.

- *Robust External Content*—Directories include prescreened external contacts such as consultants and academics with expertise in addressing alliance challenges. Directories also include conferences and associations specializing in networking opportunities and partnering information. External resources often provide a fresh, objective view that can serve as a "second opinion" on internal perspectives (for a list of selected external contacts, please see the appendix, p. 47).

- *Searchability*—Contact directories allow users to search by multiple fields depending on their particular needs, including type of alliance, specific relationship and stage of process.

- *Targeted Contact Information*—Contact profiles include area of expertise, phone number and E-mail, as well as usage protocols dictating availability limitations in order to limit the burden placed on contacts.

- *Multisite Accessibility*—Leading companies duplicate contact information within multiple alliance tools and in traditional corporate-wide directory channels, providing information to end users when and where they need it.

── THE HUMAN ELEMENT OF INSTITUTIONALIZATION ──

"Everyone has access to a robust collection of alliance resources, but even this is not enough to change employees' behavior and institutionalize alliance capabilities. …Alliance experts must be on hand and accessible to ensure that tools are used and used well."
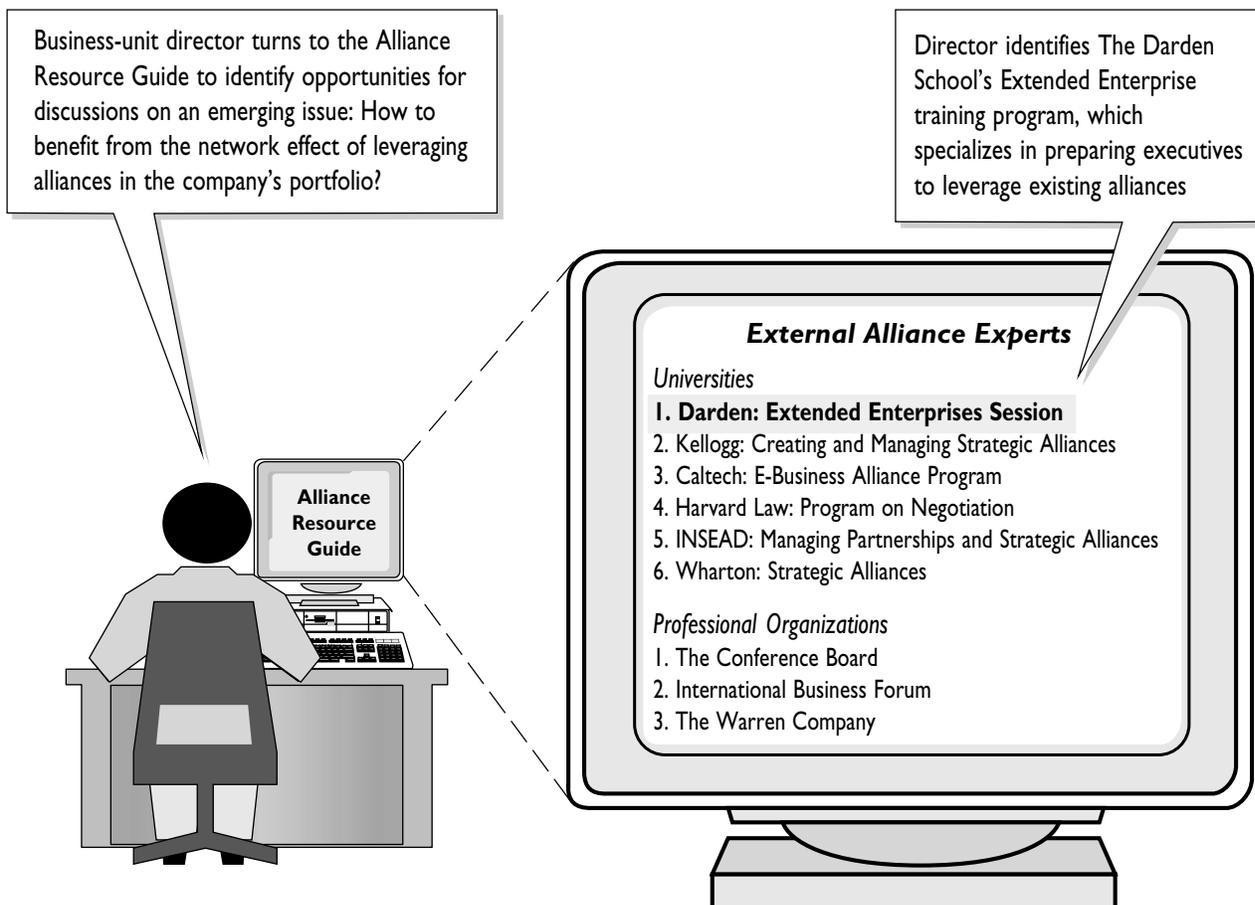
Nelson Sims
Executive Director, Alliance Management
Eli Lilly and Company

Source: Eli Lilly and Company; Hewlett-Packard Company; Corporate Strategy Board research.

Identifying Specialized Alliance Contacts

CASE IN POINT: HEWLETT-PACKARD COMPANY

- Hewlett-Packard is a $42 billion (1999) provider of computers, printers, software and services; the company has a reputation as a preferred partner in its industry and, among other objectives, relies on alliances to grow its "e-services" offerings to corporate clients.

- An early mover in alliance institutionalization, Hewlett-Packard has incorporated its first-generation toolkit into an easily navigable intranet site. Compiling alliance contacts on an ongoing basis, the site enables employees to easily identify and reach alliance specialists.

Hewlett-Packard Alliance Resource Guide*

Business-unit director turns to the Alliance Resource Guide to identify opportunities for discussions on an emerging issue: How to benefit from the network effect of leveraging alliances in the company's portfolio?

Director identifies The Darden School's Extended Enterprise training program, which specializes in preparing executives to leverage existing alliances

Alliance Resource Guide

External Alliance Experts

Universities
1. Darden: Extended Enterprises Session
2. Kellogg: Creating and Managing Strategic Alliances
3. Caltech: E-Business Alliance Program
4. Harvard Law: Program on Negotiation
5. INSEAD: Managing Partnerships and Strategic Alliances
6. Wharton: Strategic Alliances

Professional Organizations
1. The Conference Board
2. International Business Forum
3. The Warren Company

* Corporate Strategy Board illustrative.

Source: The Darden School of Business Administration, University of Virginia, http://www.darden.virginia.edu/ibi/ibi_enterprise.htm; Hewlett-Packard Company; Corporate Strategy Board research.

DECISION SUPPORT TOOLS

ALLIANCE STATUS DATABASE

Faced with expanding alliance portfolios, companies are compelled to track the status of all active and prospective partnerships, compiling the information in a centralized and searchable data-management system (database or intranet site). Alliance participants scattered throughout the organization need this information to avoid conflicts of interest and to effectively leverage the company's network of partnerships in pursuit of new business opportunities.

Problem Addressed

* *Uninformed Alliance Decisions*—Alliance participants with minimal exposure to partnerships elsewhere in the organization make decisions about their own alliances in isolation, resulting in conflicts between partners and missed opportunities to leverage relationships across business units.

Features

* *Comprehensive Partnership Description*—Profiles of active and prospective alliances feature complete descriptions of relationships and companies, including each alliance's stated objectives, milestones and current status as well as archives of alliance documents (e.g., contracts) and partners' contact information.

* *Tiered Access Levels*—Proprietary information such as a partner's business strategies are available on a need-to-know basis, protected from wide access by embedded security protocols; general information, including alliance type and contact information, is accessible to all employees in the organization.

* *Relationship Scorecard*—Scorecard of alliance performance metrics established at the outset of the partnership is posted and regularly updated within the company profile; obligation to "publicize" these reports can act as an informal performance incentive for alliance managers, while providing indicators of partner compatibility to other lines of business considering an alliance with the same partner.

* *Incentive for Continuous Maintenance*—Alliance participants are held accountable in their performance reviews for keeping alliance status information current.

AVOIDING ALLIANCE CONFLICTS

"FedEx operates in a highly decentralized, global environment requiring timely, accurate information available 24/7. Our alliance database provides critical information on all existing partnerships in near real-time fashion. It enables employees to easily access a current snapshot of activities and important information about our partnerships. This is an essential tool for successfully managing alliance relationships around the world."

David Payton
Managing Director, Business Development and Alliances
FedEx Corporation

Source: FedEx Corporation; Corporate Strategy Board research.

Tracking Organization-Wide Alliance Activity

Case in Point: FedEx Corporation

- FedEx Corporation is an $18 billion (1999) global express transport firm and a leading enabler of Internet-based supply chain logistics.

- FedEx's technology platform contains an alliance status database accessible to alliance participants throughout the company on a tiered basis.

FedEx's Alliance Status Database

Last Update: December 12, 1999

Partner Company:	Algoram Inc.*
Type of Relationship:	Preferred Provider Partnership
FedEx Organization:	FedEx Global Logistics
Objectives:	Enable FedEx customers to reduce overhead by expediting order/delivery process

Documentation

Contact: Dave Barrows

Press Release: 2/17/99

Scorecard:

Entry Date	Status Report
8/16/99	Discussions underway to expand partnership beyond Latin America region
10/9/99	Fifty percent of FedEx Latin America logistics marketers trained in features of new software and prepared to offer upgrade to current customers
12/12/99	Algoram's e-commerce software integration with FedEx's Passport software complete

* Hypothetical partner.

Note to Members: Maintaining Alliance Databases

The most critical element of an effective alliance status database is continuous maintenance. This administration-intensive requirement poses a challenge to companies that disperse the responsibility for updating content to alliance participants in the business units. Removed from centralized accountability for content maintenance, business-unit alliance participants require explicit incentives encouraging regular database updates.

While Corporate Strategy Board research has not yet encountered a best-practice incentive system, some companies address the problem by placing responsibility for database updates with the centralized alliance group and holding members accountable in formal performance reviews. Although accountability is easier to establish at the corporate level, a potential drawback of this structure is that the centralized alliance group may lack the detailed partnership knowledge possessed by frontline alliance managers.

Source: FedEx Corporation; Corporate Strategy Board research.

Decision Support Tools

Partner Candidate Assessment

Cisco Systems alliance managers select partners based on the results of a rigorous but flexible partner candidate assessment framework that applies quantitative evaluation criteria to a set of nonfinancial partner features. The tool provides a versatile structure for assessing a partner's "soft" strengths and weaknesses, enabling alliance managers to pursue a range of partner types. To receive consideration, a candidate must address a specific need and achieve an aggregate minimum score across a variety of evaluative categories, but is not required to meet each criterion on the list.

Problems Addressed

- *Nonstrategic Alliances*—Difficulty of evaluating "soft" strategic factors prevents companies from rooting their alliances in well-established strategic objectives; resulting partnerships fail to deliver strategic value.

- *Misperceived Risk Tolerance*—Alliance managers uncertain of senior management's expectations establish relationships that are either too conservative or too risky relative to company standards.

- *Inflexible Selection Requirements*—Companies impose and actively enforce strict standards of acceptable partner profiles, limiting alliances to a narrow band of partner types and preventing speculative but perhaps promising alliances.

Features

- *Framework for Evaluating Strategic Fit*—The decision-making system gives ample weight to each candidate's nonfinancial characteristics, allowing alliance managers to make principled decisions regarding a candidate's alignment with strategic objectives.

- *Articulation of Risk Tolerance*—A list of criteria for judging potential alliances, corresponding with an established scale to weigh the likely impact of a candidate's shortcomings against the potential benefits of its qualities, enables alliance managers to select partners within the company's risk-tolerance threshold. This shared understanding that all alliances carry a certain amount of risk encourages managers to pursue relationships with innovative but less predictable companies.

Greater Discretion for Alliance Managers

"Alliances in a company's portfolio should range from broad synergistic relationships to partners that are more opportunistic in niche markets. Guidelines must be flexible enough so they do not discourage alliance managers from using their own discretion about the key company initiatives, but instead encourage taking risks when an alliance represents a promising opportunity."

Steve Steinhilber
Vice President, Strategic Alliances
Cisco Systems, Inc.

Source: Cisco Systems, Inc.; Corporate Strategy Board research.

Fostering Flexibility in the Partnering Process

CASE IN POINT: CISCO SYSTEMS

- Cisco Systems, an $18.9 billion (2000) computer networking products manufacturer typically maintains a portfolio of 20 strategic alliances, in addition to several hundred sales and distribution partnerships.

- Cisco's more than 200 staff assigned to strategic alliance teams are responsible for conceiving of and establishing alliances on a regular basis. They employ the company's partner candidate assessment tool to assist in evaluating potential alliances and to monitor existing alliances' progress against strategic objectives.
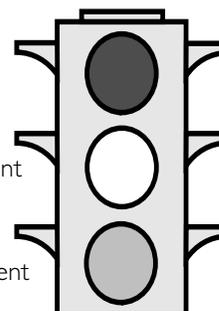
Candidate Assessment Grid

Evaluation Criteria	Wilhelm Co.*	Gibbs Inc.*	Loman Co.*
Philosophical Alignment	Red	Yellow	Red
Aggression & Speed	Green	Yellow	Green
Market Strength	Green	Red	Green
Joint Customer Success	Green	Yellow	Red
Number of Joint Initiatives	Green	Yellow	Green
Long- & Short-Term Plan	Yellow	Green	Yellow
Networking Capability	Red	Green	Yellow
Cisco Knowledge	Yellow	Yellow	Red
Training Plan to Scale	Yellow	Yellow	Red
Commitment to Cisco	Green	Green	Red
Overall Evaluation	Green	Yellow	Red

Tool Key: Overall Evaluation

Red Light: Poor alignment with Cisco

Yellow Light: Average alignment with Cisco

Green Light: Excellent alignment with Cisco

CANDIDATE ASSESSMENT SUMMARY

Wilhelm Company: Though not closely aligned with Cisco from a philosophical perspective, Wilhelm Company's speed, market strength and commitment to Cisco make it an attractive partner. The company's overall evaluation corresponds with a green light, encouraging the alliance manager to pursue an alliance with Wilhelm Company.

Gibbs Inc.: Still a relative unknown in its market, Gibbs Inc. nonetheless has promising plans for the future and has had early success with Cisco involving a joint customer. Cisco will proceed cautiously by fully considering potential risks and rewards.

Loman Company: Despite its fast growth and market leadership, Loman Company's shortcomings in a majority of categories relative to Cisco outweigh any potential benefits. Cisco will not pursue a partnership with the company at this time.

* Hypothetical candidates.   Source: Cisco Systems, Inc.; Corporate Strategy Board research.

PERFORMANCE EVALUATION TOOLS

ALLIANCE SCORECARD AND POSTMORTEM REVIEW

One of the most significant obstacles to effectively managing and learning from alliances is the difficulty of comprehensively measuring partnership performance. Leading organizations establish a broad set of financial and strategic indicators to evaluate alliance performance, and conduct timely postmortem reviews to extract lessons learned from recently completed alliances.

Problems Addressed

- *Insufficient Metrics*—Companies tend to define—and therefore measure—alliance performance purely in financial terms. Yet traditional financial metrics fail to capture "soft" value generated by many alliances, nor do they adequately track development of the relationship itself.

- *Reluctance to Scrutinize Failures*—Companies rush to distance themselves from unsuccessful partnerships rather than capturing the learning opportunities inherent in a failed alliance.

Features

- *Holistic Performance Measures*—A customized set of financial and nonfinancial metrics for each alliance allows companies to measure progress toward monetary and strategic objectives as well as assess the underlying health of the relationship.

- *Timely Evaluation*—Regular monitoring of "live" alliance performance allows managers to discern and address problems early, while prompt postmortem reviews ensure that participants contribute fresher, better-informed lessons learned.

- *Link to Participant Performance*—By establishing a direct link between the performance measures of an alliance and those of its participants, companies create transparency around how participants will be evaluated and strengthen accountability for their involvement with the partnership.

PERFORMANCE EVALUATION TOOLS

Tracking a Balanced Set of Performance Indicators

Alliance Scorecard (Illustrative)

	Performance Element	Score	Target	Variance
Financial Measures	Sales Growth (% Q/Q)	7%	10%	(30%)
	Average Unit Margin (%ROS)	12%	15%	(20%)
	Capital Burn Rate ($M/Month)	$4	$6	(33%)
	Return on Invested Capital (%)	24%	30%	(20%)
Strategic/ Nonfinancial Measures	New Customers (per month)	176	225	(22%)
	Customer Defections (per month)	12	12	0%
	Market Share (% Revenue)	3%	5%	(40%)
	Incidence of Price Discounting (%)	20%	15%	33%
	Average Price Realization (%)	90%	95%	(5%)
	Cross-Sell Rates (# Products/Customer)	1.5	2.5	(40%)
	Average Share of Wallet (%)	25%	33%	(24%)
	Customer Satisfaction Index	80	99	(19%)
	Average Customer Lifetime Value ($)	$3,750	$5,000	(25%)
	Development Cycle Time (Months)	16.5	18	(8%)
	Manufacturing Defect Rate (Units/M)	3	1	200%
Relationship Measures	New Alliance Hires (per month)	5	3	67%
	Alliance Staff Turnover (%/year)	12%	10%	20%
	Partner Satisfaction Index	95	99	(4%)
	Decision "Kick-Ups"	3	5	(40%)

Set of quantitative (financial and nonfinancial) criteria serve as a balanced barometer of relationship health

Source: Working Council for Chief Financial Officers; Corporate Strategy Board research.

Learning from Experience

Hewlett-Packard's Postmortem Questionnaire (Selected Questions)

At Hewlett-Packard, business development executives and alliance managers meet immediately after an alliance ends to review their experiences and extract generalizable lessons; documented results are entered into a centralized database to advise participants in future alliances

Postmortem Analysis and Sample Questions

(1) Original Purpose and Goals
What was HP's broadest-level intent in launching the alliance?
What were the discrete objectives?
What operational standards did the alliance team have in mind?

_____

_____

_____

(2) Actual Outcomes of Each Purpose/Goal
Did the alliance achieve its broadest objectives?
Did the alliance achieve each discrete objective?
What was the operational reality during the alliance?

_____

_____

_____

(3) Successful Activity Assessment
What specific activities enabled the achievement of the most important objectives?

_____

_____

(4) Unsuccessful Activity Assessment
What activities failed to achieve desired objectives?

_____

_____

_____

(5) Lessons Learned from Experience
What lessons did alliance participants learn regarding alliances?

_____

_____

(6) Absent or Deficient Capabilities
What support did you need that was not provided?
What provided support turned out to be ineffective?

_____

_____

(7) Internal/External Alliance-Expert Identification
Who provided support during the alliance and for which activities?
How can we make those who provided support accessible in the future?

_____

_____

Source: Hewlett-Packard Company; Corporate Strategy Board research.

SECTION TWO

Keeping Tools Up to Date

Once alliance toolkits have been established, a new challenge emerges: Tools are likely to become obsolete as companies' alliance strategies evolve and end-user preferences change. Therefore, toolkit owners must set up mechanisms to refresh tools and maintain alignment with end-user needs.

Practice #1: Ongoing Tool Review   Page 36

With a set of mature alliance tools and a rapidly evolving partnership strategy, Xerox tasks a committee of alliance participants to regularly monitor end users' views of tool efficacy, identify shortcomings and remedy them by either updating existing tools or designing new tools.

Practice #2: "Live" Alliance Lessons Capture   Page 38

"Live" alliances represent excellent sources of information with which to update tools on a regular basis. Recognizing this opportunity, Nortel Networks forms task forces of alliance specialists and subject matter experts to interview Nortel alliance participants in order to capture their description of events and develop lessons learned. The team then updates Nortel's existing tools with the new learnings.

Practice #1: Ongoing Tool Review

As companies' alliance strategies evolve over time, tools designed to assist with partnering activities fall out of alignment with end-user requirements. A disconnect between tool users and toolkit owners exacerbates this problem: Line-based tool users lack the authority to update tools, but centralized toolkit owners lack the daily interaction with tools to detect developing weaknesses. To keep tools aligned with end-user needs, Xerox Corporation dedicates a team of mid-level alliance participants to regularly solicit and address end-user feedback on alliance tools.

Problems Addressed

- *Inertia of Existing Tools*—Alliance participants who regularly use tools resign themselves to tools' existing level of efficacy and are not inclined to suggest improvements to obsolete tools. Consequently, toolkit owners remain largely unaware of existing tools' shortcomings.

- *End-User Inability to Articulate Needs*—When tool users do provide feedback on tools, they tend to have difficulty translating problems into concrete suggestions for tool improvement.

Key Elements

- *Focus on Tool Improvement*—Members of a standing toolkit review committee frequently solicit feedback from colleagues to identify toolkit shortcomings; the committee then convenes to confirm and remedy identified problems.

- *Tool-User Representation*—The committee comprises mid-level alliance participants from each business unit, tasked with assessing tool efficacy based on their own and their colleagues' experiences with the tools. By virtue of their interaction with toolkit owners on the committee and other tool users in their business units, middle managers bridge the gap between tool use and tool design, ensuring that users' perspectives drive updates and improvements to the toolkit.

Keeping Pace with Evolving Alliance Needs

"FedEx views its alliance tools as living with regard to the need to make changes and updates. The company is committed to looking for opportunities to add new features or realign obsolete tools with new end-user requirements. The need for update stems from shifts in the types of alliances a company is doing and the availability of new information due to continuously increasing alliance experience."

David Payton
Managing Director, Business Development and Alliances
FedEx Corporation

Source: FedEx Corporation; Xerox Corporation; Corporate Strategy Board research.

Updating Tools with End-User Input

Case in Point: Xerox Corporation

- Xerox Corporation, a $19.5 billion (1999) copier manufacturer and document management company, relies on alliances to achieve a range of strategic objectives.

- After launching an institutionalization effort in 1996, Xerox finds that some of its tools fall out of alignment with user needs as the nature of alliance participants' activities evolves with the company's alliance strategy; all of the tools require periodic updates due to the rapid pace of industry change.

- To regularly refresh the toolkit, Xerox relies on a standing team of designated alliance participants that solicits and addresses feedback on the effectiveness and functionality of existing alliance tools.

Xerox's Tool Review

① Problem Identification

Alliance participants in each business unit are designated to draw on personal experience with tools and interaction with alliance-active colleagues to identify functionality gaps and sources of frustration with existing tools.

"Checklist for a technology-sharing alliance does not adequately address the activities required for dealing with ownership of intellectual property."

② Problem Confirmation and Solution Proposal

Business-unit representatives, subject matter experts and in-house alliance experts meet to validate identified problems, brainstorm solutions and assign a subcommittee to develop a plan of action.

"We echo the concern that the process provides insufficient guidance for dealing with intellectual property in alliances with Internet start-ups."

③ Tool Improvement Execution

Designated subcommittee carries out toolkit update; majority-vote team approval required before official release of new or updated tools.

Alliance Process Addendum: Managing Relationships with Start-Ups
1. Compare operational practices
2. Assess value of partner's structure
3. Identify significant cultural attributes of partner
4. Work with partner to adapt Xerox's proven processes to their culture

Xerox Alliance Tool Review Council

Best Practices Report

JUNE

Team Composition: Fifteen employees, including middle managers with key alliance responsibilities from each line of business, subject matter experts with alliance involvement and business development executives with high-level alliance expertise.

Other Responsibilities: In addition to monitoring and updating alliance tools on a regular basis, council members are responsible for discussing and disseminating best practices among business-unit colleagues.

Time Commitment: Three meetings per year, plus ad hoc task force responsibilities and ongoing tool monitoring.

Source: Xerox Corporation; Corporate Strategy Board research.

Practice #2: "Live" Alliance Lessons Capture

Lessons learned from active internal alliances represent a rich source of information with which to populate and update alliance tools. However, internally contributed lessons and practices tend to be subjective when unfiltered, diminishing their value to alliance participants across the organization. Nortel Networks dedicates neutral task forces to extract objective lessons learned from active partnerships and incorporate them into existing alliance tools.

Problems Addressed

- *Unfiltered Information*—Lessons learned and best practices provided by a wide range of alliance participants are of varying quality, relevance and objectivity.

- *Narrow View of Alliance History*—Alliance participants involved in just one stage of the partnership's life cycle interpret events from a limited perspective, unintentionally biasing the information they contribute.

Key Elements

- *Neutral Observers*—Nortel assigns responsibility for capturing experiences and extracting lessons learned to a project task force of alliance specialists and subject matter experts not directly involved with the relationship being analyzed. The understanding is that information will be used only for educational purposes, not for performance evaluation.

- *Comprehensive Life Cycle Analysis*—The task force conducts interviews with employees involved in each stage of the alliance's life cycle. Resulting analysis yields both a snapshot of the partnership at each stage and a seamless, cross-stage view from which team members draw an informed set of best practices and lessons learned.

A Bias Toward Subjective Information

"Companies should assess current and past alliances, rather than relying solely on external research to capture lessons learned. But analyzing internal successes and failures is not easy—it sometimes breeds a syndrome in which people either point fingers or resist discussing failures. When they do talk about challenges, they may give pat answers in an attempt to protect themselves. It is not possible to draw broad, systematized conclusions from such a politicized process. It also does not promote healthy experimentation with alliances and new business models."

Benjamin Gomes-Casseres
The Alliance Revolution:
The New Shape of Business Rivalry

"Compiling internal case studies is difficult because employees get too hung up on who shot whom and why the relationship didn't go well politically, as opposed to looking objectively at the situation. The risk with using external case studies is losing the engagement you might secure because training attendees cannot see the relevance to their company."
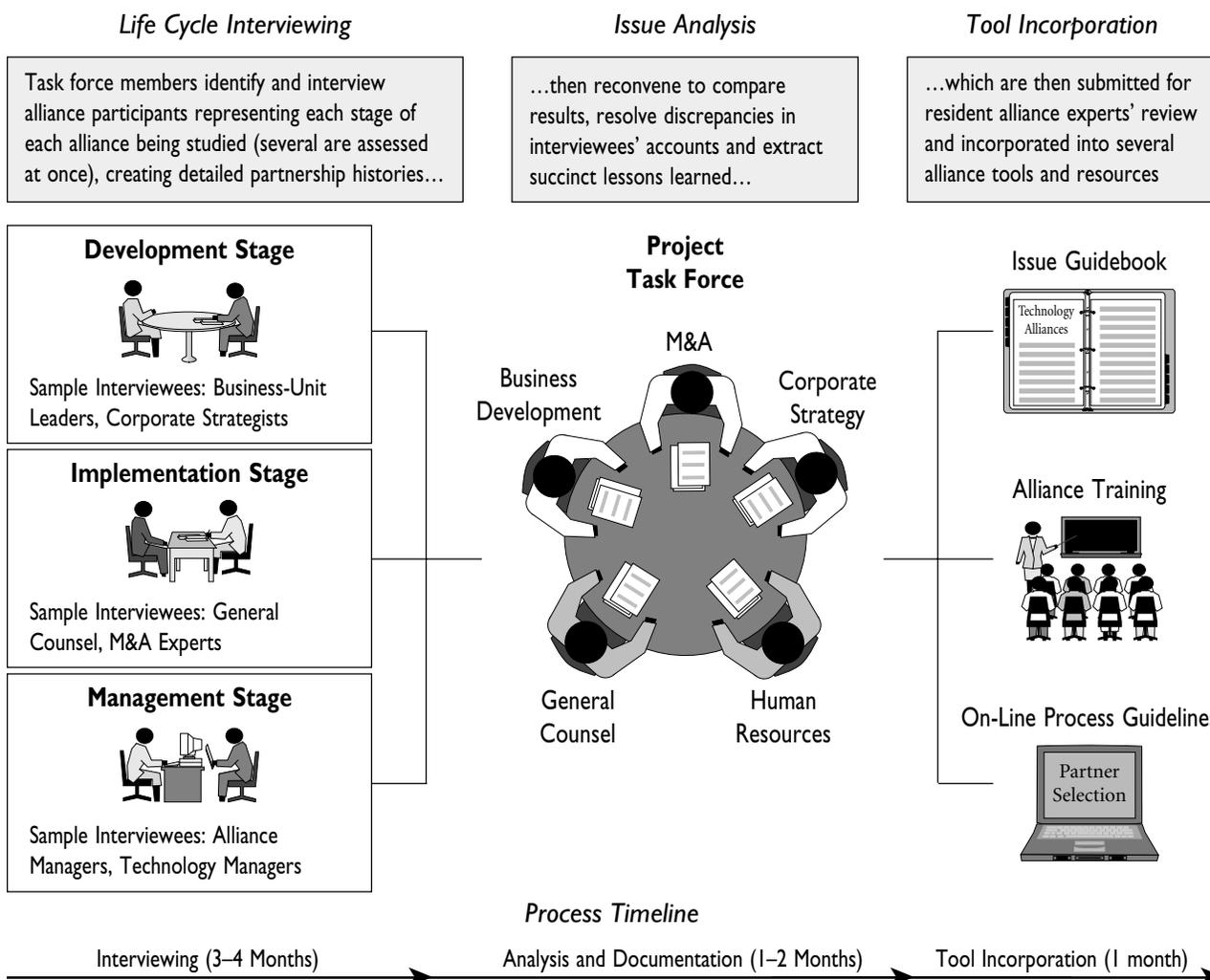
Val Markos
Executive Director, Leadership Development
BellSouth

Source: BellSouth Corporation; Nortel Networks; Corporate Strategy Board research.

Collecting Objective Internal Experiences

CASE IN POINT: NORTEL NETWORKS

- Nortel Networks, a $22 billion (1999) telecom equipment manufacturer, typically manages a portfolio of more than 40 strategic alliances and develops new partnerships at a rate of one per month.

- Because lessons learned from active Nortel alliances are an integral component of the company's institutionalization tools, Nortel dedicates cross-functional project task forces to periodically analyze and incorporate learnings from "live" alliances.

- In addition to this process for updating tool content, Nortel maintains small, functionally based teams (e.g., strategy, legal, human resources), led by dedicated executives, to support corporate and business-unit alliance activities. Learning accumulated in these teams (from which lessons-learned task force members may be drawn) and the involvement of team members in alliance projects helps accelerate adoption of best practices across the corporation.

Nortel Networks' Approach to Lessons Learned Documentation

Life Cycle Interviewing	*Issue Analysis*	*Tool Incorporation*
Task force members identify and interview alliance participants representing each stage of each alliance being studied (several are assessed at once), creating detailed partnership histories…	…then reconvene to compare results, resolve discrepancies in interviewees' accounts and extract succinct lessons learned…	…which are then submitted for resident alliance experts' review and incorporated into several alliance tools and resources

Development Stage

Sample Interviewees: Business-Unit Leaders, Corporate Strategists

Implementation Stage

Sample Interviewees: General Counsel, M&A Experts

Management Stage

Sample Interviewees: Alliance Managers, Technology Managers

Project Task Force

M&A

Business Development

Corporate Strategy

General Counsel

Human Resources

Issue Guidebook

Technology Alliances

Alliance Training

On-Line Process Guidelines

Partner Selection

Process Timeline

Interviewing (3–4 Months) → Analysis and Documentation (1–2 Months) → Tool Incorporation (1 month)

Source: Nortel Networks; Corporate Strategy Board research.

SECTION THREE

Encouraging Tool Use

Companies that build effective tools and update them regularly will make progress toward overcoming alliance participants' reluctance to use and populate tools: Good tools should, in effect, "sell themselves." However, the burden remains on toolkit owners to "close the deal" by encouraging skeptical alliance participants to incorporate tools into their partnering activities and contribute content to the tools. Unfortunately, companies come up short in several areas: They often fail to make participants sufficiently aware of how and when to apply tools, they do not provide performance incentives for using and populating tools, and they fail to make the toolkit itself easily accessible. This section examines practices at Eli Lilly and Cisco Systems that address such shortcomings.

Practice #3: Tool Effectiveness Reinforcement   Page 42

In an effort to overcome alliance participants' skepticism of tool effectiveness, Eli Lilly's dedicated alliance group reinforces initial classroom instruction with on-the-job guidance and an accountability mechanism.

Practice #4: Alliance Portal   Page 44

To reduce the administrative burden and disincentive associated with having to track down scattered alliance tools, Cisco Systems consolidates its toolkit into a portal devoted to alliances and accessible through the corporate intranet.

Practice #3: Tool Effectiveness Reinforcement

To raise employees' awareness of existing alliance tools and overcome their skepticism of tools' effectiveness, Eli Lilly and Company provides a combination of training and ongoing guidance in applying tools to "live" partnerships. By reinforcing initial instruction with on-the-job assistance, alliance advisors build employees' confidence in the tools and encourage alliance participants to use them by establishing performance incentives.

Problems Addressed

- *Insufficient Tool Awareness*—Companies that rely on onetime training courses to inform employees about available tools fail to establish a deep-rooted awareness of tools' availability and applicability; alliance participants consequently do not view tools as integral to their activities and either use them improperly or not at all.

- *Lack of Accountability for Tool Use*—Because alliance managers tend to be inherently skeptical of tools' effectiveness, they are not inclined to voluntarily apply the tools without being held accountable for doing so.

Key Elements

- *Tool Instruction and Reinforcement*—Case study–based training introduces alliance managers to tools and their applicability; Eli Lilly's alliance advisors reinforce this initial instruction with on-the-job assistance in applying tools to "live" alliance situations, helping to heighten awareness of tool benefits and encouraging participants to incorporate tools into their customary approach to alliance activities.

- *Tool Use Incentives*—Eli Lilly encourages tool use by aligning tools with identified alliance problems; alliance advisors regularly assess each partnership's performance and recommend that managers use specified tools to address significant problems; because managers are responsible for improving the alliance, they are implicitly accountable for using tools to solve identified problems.

Changing Habitual Behavior

"People leading alliances are presumably experienced and have developed their way of doing things over the years. If new and improved techniques are developed, you have to teach alliance practitioners why and how they should change. It takes cultural change. People have to see the light and follow it. I do believe, however, that you can't simply send people to the classroom and tell them to culturally change and expect them to do it. In my opinion, that's why so many companies are disappointed with results from tools and processes they've created."

Nelson Sims
Executive Director, Alliance Management
Eli Lilly and Company

Source: Eli Lilly and Company; Corporate Strategy Board research.

Demonstrating Tool Applications and Benefits

CASE IN POINT: ELI LILLY AND COMPANY

- Eli Lilly and Company, a $10 billion (1999) pharmaceutical company, has more than 100 research-based alliances across six business segments.

- Responding to their board's recommendation that Lilly become known as a best-in-class partner to capitalize on alliance-related growth opportunities, the company establishes a central Office of Alliance Management (OAM), charged with improving alliance performance throughout the organization. The OAM subsequently develops a comprehensive toolkit to assist alliance participants.

- Lilly employs a three-step approach to alliance-tool instruction, which constitutes an effective method of encouraging employees to incorporate available tools into their alliance activities.

Eli Lilly's Stages of Alliance-Tool Guidance

I. Classroom Instruction	II. On-the-Job Tools Training	III. Ongoing Application of Tools to Alliance Problems
Alliance training includes role-playing activities based on internal case studies, in which attendees practice applying alliance tools to various situations.	Corporate-level alliance advisors help business-unit managers apply tools during their first "live" alliance situation.	At annual checkpoints, alliance advisors identify top problems and propose solutions, highlighting opportunities to apply available tools. Alliance managers are held responsible for addressing identified problems with recommended tools.

I. Classroom Instruction

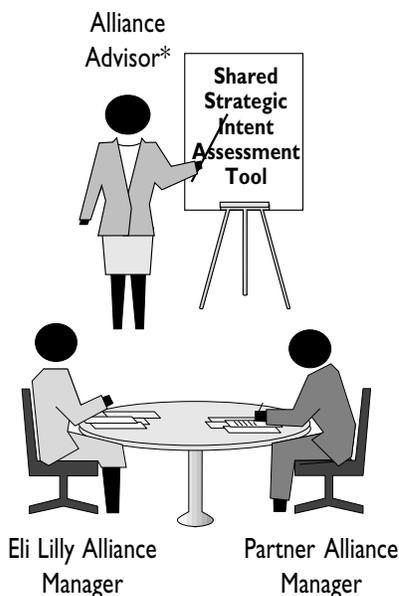**Training Schedule**

Day One: Resources Overview
1. Alliances defined
2. Building the case for alliance creation
3. Becoming the partner of choice
4. Building successful alliances with Lilly frameworks, processes and tools
5. Utilizing the Office of Alliance Management (OAM)
6. Alliance health survey and cultural due diligence
7. Case study assignments

Day Two:
Alliance simulator case study discussion incorporating resources introduced on day one

II. On-the-Job Tools Training

Alliance Advisor*

Shared Strategic Intent Assessment Tool

Eli Lilly Alliance Manager

Partner Alliance Manager

III. Ongoing Application of Tools to Alliance Problems

Representative Top Problems Identified

- One alliance partner is concerned about the slow pace of production

- Current alliance team members lack plan for growing scope of the relationship

Recommended Tools to Solve Alliance Problems

- Three-Dimensional Fit Diagnostic can analyze problem to identify the root cause

- Strategic Futures Exercise helps identify avenues for alliance expansion

---

* Office of Alliance Management representative.

Source: Eli Lilly and Company; Corporate Strategy Board research.

PRACTICE #4: ALLIANCE PORTAL

To reduce the administrative burden and disincentive associated with having to track down scattered alliance tools, Cisco Systems consolidates its toolkit into an alliance-dedicated portal accessible through the corporate intranet. In addition, the site contains a repository of alliance news and information, providing alliance managers rapid access to knowledge that they might be unaware of otherwise.

Problems Addressed

• *Scattered Alliance Tools*—Tools exist in disparate locations across the corporation's technological infrastructure, discouraging alliance participants from accessing them.

• *Undiscovered Information*—News and critical information on specific alliances or partners goes unnoticed by alliance participants who lack the time or awareness to seek it out.

Key Elements

• *Toolkit Consolidation*—A "one-stop shop" of alliance resources integrates the alliance toolkit's contents into one interface. A single point of entry to all alliance resources eliminates the administrative burden of searching multiple venues for diagnostic tools, training information, off-the-shelf presentations and key contacts.

• *Alliance News Repository*—Critical information, such as breaking alliance news, is "pushed" via E-mail to alliance participants and is also made available through the alliance portal. This approach notifies alliance participants of information they might have overlooked and ensures that they can easily access it when necessary.

EASILY ACCESSIBLE ALLIANCE INFORMATION

"The alliances page of Cisco's Employee Connection, built on Web-enabled software, ensures that Cisco's alliance managers and other employees have one-stop access to the information they require to guide their alliance activities and decisions. Located throughout the world, Cisco's alliance managers spend the majority of their time traveling between Cisco and partner worksites. By compiling alliance information—including current partnership status, alliance news and instructional information—into a unified database, alliance managers can access and add to the information from anywhere in the world."
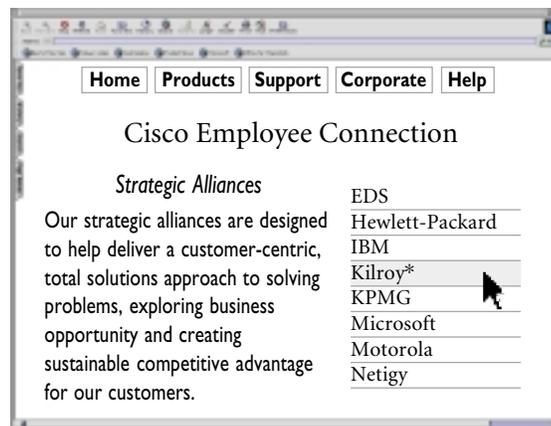
Steve Steinhilber
Vice President, Strategic Alliances
Cisco Systems, Inc.

# Streamlining Access to Alliance Tools and Information

CASE IN POINT: CISCO SYSTEMS, INC.

- Cisco Systems, an $18.9 billion (2000) computer networking products manufacturer typically maintains a portfolio of 20 strategic alliances, in addition to several hundred sales and distribution partnerships.

- Cisco leverages its popular employee intranet by creating a customizable alliance portal for relationship managers and other alliance participants at all levels of the organization, reducing the need to search for scattered tools and information.

Cisco's Alliance Home Page

| Home | Products | Support | Corporate | Help |

Cisco Employee Connection

Strategic Alliances

Our strategic alliances are designed to help deliver a customer-centric, total solutions approach to solving problems, exploring business opportunity and creating sustainable competitive advantage for our customers.

EDS
Hewlett-Packard
IBM
Kilroy*
KPMG
Microsoft
Motorola
Netigy

| Home | Products | Support | Corporate | Help |

Kilroy Company*

Overview

Contact Information

Joint Solutions

Training

Presentations

Tools
- Sales Tools
- Alliance Scorecard
- Alliance Health Assessment

Alliance News Repository

CISCO SYSTEMS

Kilroy

Cisco CEO:
John Chambers

Kilroy CEO:
Joe Smith

Mission Statement:
Cisco and Kilroy will deliver innovative solutions that help companies improve their global business performance.

> Partner-specific information, including results of alliance diagnostics, is available to those alliance participants with access to proprietary content

* Hypothetical partner.

Source: Cisco Systems, Inc.; Corporate Strategy Board research.
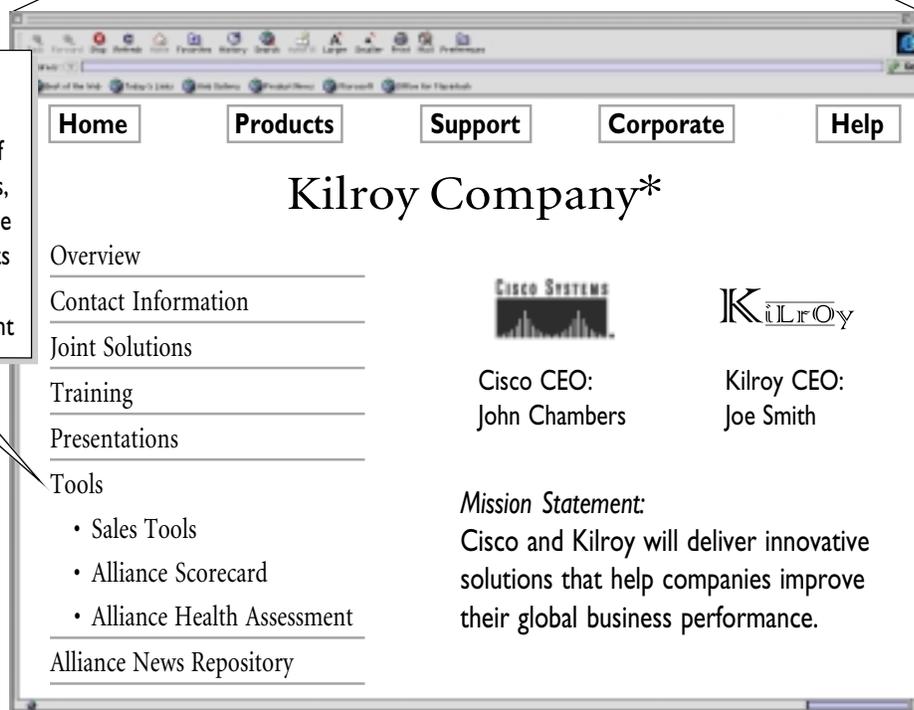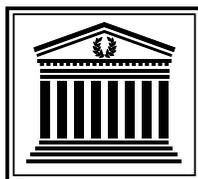
APPENDIX

Guide to External Alliance Resources

Guide to External Alliance Resources

Note to Members

Corporate Strategy Board research indicates that although most companies are in the practice of compiling contact information for internal alliance specialists, few companies maintain a thorough listing of external alliance contacts. While not specifically endorsing the services provided by these organizations, the Corporate Strategy Board has identified a noncomprehensive list of alliance associations, specialized service providers and leading alliance professionals, including consultants and academics.

Alliance Associations

Association for Corporate Growth (ACG), Glenview, Illinois
800-699-1331; http://www.acg.org
Founded in 1954, ACG is an international organization dedicated to "fostering sound corporate growth." The association hosts conferences and publishes newsletters on strategic alliance issues as they pertain to corporate growth.

Association of Strategic Alliances Professionals (ASAP), Wellesley, Massachusetts
781-263-0066; http://www.strategic-alliances.org
Founded in 1999, ASAP is the first professional organization dedicated to strategic alliances. It offers conferences, seminars, networking opportunities, alliance professional certification information and other alliance resources.

Partnering Executives Association, Skokie, Illinois
847-676-9792; http://www.corporate-partnering.com
An association of executives who work in the field of corporate partnerings and strategic alliances. The association is sponsored by the Corporate Partnering Institute, a for-profit think tank that publishes partnering tools and white papers and consults on partner identification and partnership project development.

Specialized Alliance Service Providers

The Alliance Analyst, Philadelphia, Pennsylvania
Mr. James Bamford, Editor; 215-546-2441; http://www.allianceanalyst.com
AA publishes monthly articles and lists of alliance announcements, and provides customized research on past alliances, alliance trends within specific industries and partnership candidates.

Alliance Management Group, Gladstone, New Jersey
Matthew W. Sagal, Senior Partner; 908-234-2344; http://www.strategicalliance.com
AMG provides strategic analysis and partner assessment, planning and negotiation consulting, alliance management training, M&A integration consulting, alliance metrics and benchmarking services.

Alliance Management International, Ltd., Cleveland, Ohio
Mr. Bob Gruss, Managing Director; 440-838-1922; http://www.amiltd.com
AMI is a consulting firm that specializes in partner selection and assessment, alliance planning, team building and performance measurement.

International Center for Alliances, Networks and Strategic Innovation (ICANSI)
Silicon Valley, California
Mr. Ash Vasudevan, CEO and Founding Partner; 408-393-7570; http://www.icansi.com
ICANSI specializes in alliance network mapping and scenario planning, alliance portfolio and capability analysis, partner assessment, technology profiles and strategy consulting.

The Lared Group, Los Angeles, California
Ms. Larraine D. Segil, Founding Partner; 310-556-8083; http://www.laredgroup.com
The Lared Group offers alliance planning and troubleshooting templates as well as executive training courses in alliance management.

Partnership Continuum, Inc., Minneapolis, Minnesota
Mr. Stephen M. Dent, Founding Partner; 888-292-0323;
http://www.partneringintelligence.com
The Continuum provides consulting services on building partnerships, increasing "partnering intelligence" and leadership development.

The Warren Company, Providence, Rhode Island
Mr. Robert Porter Lynch, President; 401-273-0010; http://www.warrenco.com
The Warren Company's services include partner identification, alliance team formation, facilitation of analysis and planning, negotiation and structuring of alliances and operational implementation activities. The company also offers best-practice studies, benchmarking studies and training programs.

Professional Service Firms with Specialized Practices

Booz·Allen & Hamilton Strategic Alliances Practice, Los Angeles, California
John R. Harbison, Vice President; 310-348-1900;
http://www.smartalliances.com/BAHalliance.html
Booz·Allen's Strategic Alliances Practice consults on alliance strategy formulation and alliance capabilities institutionalization based on a proprietary best-practices framework. The practice also provides advice on specific alliances, including "tune-ups."

Ernst & Young Center for Strategic Transactions, New York, New York
Mr. Howard Bass, Partner; 212-777-4841; http://www.ey.com/global/gcr.nsf/US/Welcome_-_The_Center_For_Strategic_Transactions_-_Ernst_&_Young_LLP
The center consults on strategic alliances as well as other strategic transactions—mergers, acquisitions, divestitures, recapitalizations, public offerings and joint ventures.

KPMG Alliances, Amsterdam, The Netherlands
Mr. Gerard Kok, Practice Leader; (31)20-6568579; http://www.kpmg.nl/alliances/
KPMG focuses on defining alliance strategies and partnering approaches.

McKinsey & Company Alliance Practice, Washington, District of Columbia
Mr. David Ernst, Partner; 202-662-3100
The practice consults on all phases of an alliance.

PricewaterhouseCoopers Strategic Alliances Group, Toronto, Canada
Erik G. Rule, Partner; 416-941-8449
The group focuses on all phases of strategic partnering, including partnering strategies, deal making, alliance planning and alliance execution.

NOTED ALLIANCE EXPERTS

Professor Yves L. Doz
Timken Professor of Global Technology and Innovation
INSEAD, Paris, France
(33)(0)1 60 72 43 49; yves.doz@insead.fr
Research focuses on multinational management, strategic alliances, management of technology and innovation and corporate renewal. Coauthored *Alliance Advantage: The Art of Creating Value Through Partnering.*

Professor Benjamin Gomes-Casseres
Associate Professor of International Business
Brandeis University Graduate School of International Economics and Finance
781-736-2264; ben@alliancerevolution.com; http://www.alliancestrategy.com
Research, teaching and consulting focus on alliance strategy and management, with an emphasis on high-technology fields. Authored *The Alliance Revolution: The New Shape of Business Rivalry.*

Professor Ranjay Gulati
Associate Professor of Management and Organizations
Kellogg Graduate School of Management, Northwestern University
847-491-3470; ran@merle.acns.nwu.edu
Recent research has focused on alliance governance and knowledge transfer.

Professor Thomas C. MacAvoy
Paul M. Hammaker Professor of Business Administration
The Darden Graduate School of Business, University of Virginia
804-924-4817; MacAvoyT@darden.gbus.virginia.edu
Recent research has focused on translating alliance experience into partnering capabilities.
Coauthored *Alliance Competence: Maximizing the Value of Your Partnerships.*

Professor Brian S. Silverman
Assistant Professor of Business Administration
Harvard Business School
617-495-6729; bsilverman@hbs.edu
Recent academic publications include studies of the role alliances play in enhancing knowledge transfer across firms.

Professor Harbir Singh
Edward H. Bowman Professor of Management and Chairman, Management Department
Wharton School of the University of Pennsylvania
215-898-7722
Recent research has focused on the formation and governance of strategic alliances.

Professor Robert E. Spekman
Tayloe Murphy Professor of Business Administration
The Darden Graduate School of Business, University of Virginia
804-924-4860; SpekmanR@Virginia.edu
Recent research has focused on developing and managing strategic alliances and partnerships, strategic procurement planning and supply chain management. Coauthored *Alliance Competence: Maximizing the Value of Your Partnerships.*

SELECTED BIBLIOGRAPHY

The Alliance Analyst. "Two Grandmasters at the Extremes." http://www.allianceanalyst.com/Grand.html (25 November 1994).

Andersen Consulting. "Alliances Proliferate Yet Sixty-One Percent Fail or Underperform, Says Andersen Consulting Study." http://www.ac.com/news/newsarchive/9.99/newsarchive_092799.html (27 September 1999).

Argandona, Antonio. "Sharing Out in Alliances: Trust and Ethics." *Journal of Business Ethics* (September 1999): 217–228.

Chan, Su Han, et al. "Do Strategic Alliances Create Value?" *Journal of Financial Economics* (1997): 199–221.

Das, Somnath, Pradyot K. Sen, and Sanjit Sengupta. "Impact of Strategic Alliances on Firm Valuation." *Academy of Management Journal* (1998): 27–41.

David, Chris, and June Grindley. "Research Alliances: An Example from the Pharmaceutical Industry." PricewaterhouseCoopers, July 1998.

Doz, Yves L., and Gary Hamel. *Alliance Advantage: The Art of Creating Value Through Partnering.* Cambridge, Mass.: Harvard Business School Press, 1998.

Friedheim, Cyrus F., Jr. "The Battle of the Alliances." *Management Review* (September 1999).

———. "The Trillion-Dollar Enterprise." *Strategy & Business.* http://www.strategy-business.com/index.html (First Quarter 1999).

Gomes-Casseres, Benjamin. *The Alliance Revolution: The New Shape of Business Rivalry.* Cambridge, Mass.: Harvard University Press, 1996.

———. "Do You Really Have an Alliance Strategy?" *Strategy & Leadership* (September/October 1998): 6–11.

Gulati, Ranjay, and Harbir Singh. "The Architecture of Cooperation: Managing Appropriation Costs and Appropriation Concerns in Strategic Alliances." *Administrative Science Quarterly* 43 (1998): 781–814.

Gulati, Ranjay, and James D. Wesphal. "Cooperative or Controlling? The Effects of CEO–Board Relations and the Content of Interlocks on the Formation of Joint Ventures." *Administrative Science Quarterly* (September 1999): 473–506.

Harbison, John R., and Peter Pekar Jr. "A Practical Guide to Alliances: Leapfrogging the Learning Curve." *Booz·Allen & Hamilton Viewpoints* (1993).

———. "Institutionalizing Alliance Skills." *Strategy & Business.* http://www.strategy-business.com/index.html (Second Quarter 1998).

Harbison, John R., et al. "Emergence of Alliance Models." The Alliance Analyst. http://www.allianceanalyst.com/subscribers/Article1Mar00.html (15 March 2000).

———. "The Allianced Enterprise: Breakout Strategy for the New Millennium." *Booz·Allen & Hamilton Viewpoints* (2000).

Henderson, John C. "Shall We Dance?" *Context Magazine.* http://www.contextmag.com/magazine/ setMagazineMain.asp (July/August 1999).

Inkpen, Andrew C. "Learning and Knowledge Acquisition Through International Strategic Alliances." *Academy of Management Executive* (November 1998): 69–80.

Kalmbach, Charles, and Charles Roussel. "Dispelling the Myths of Alliances: The New Realities of Successful Alliance Management." *Andersen Consulting Outlook* (September 1999).

KPMG. "Alliances and Networks." http://www.kpmg.net/library/97/january/story1.asp (June 2000).

"Mergers and Alliances: Hold My Hand." *The Economist* (15 May 1999): 73.

"Minority Equity Alliances." *OSJournal* (April 1999).

Moore, David, and Jeffrey Pennington. "A Balanced Scorecard for Alliances." *OSJournal* (November 1998).

Pillemer, Francine, and Steve Racioppo. "A Structure for Collaboration." The Alliance Analyst. http://www.allianceanalyst.com/subscribers/Article1DecNew99.html (15 December 1999).

Rule, Eric. "High-Performing Strategic Alliances in the Pharmaceutical, Biotechnology and Medical Device and Diagnostic Industries." PricewaterhouseCoopers, August 1999.

———. "Transforming Under-Performing Strategic Alliances." *PricewaterhouseCoopers Management Issue.* http://www.pwcglobal.com/extweb/manissue.nsf/DocID/ 95A71A06D5DCAB525663000670B7E?OpenDocument (27 May 1999).

Rule, Erik, Nicholas Ross, and Mark Donougher. "Beating the Odds: Making a Strategic Alliance Succeed." *Pharmaceutical Executive* (January 1999): 78–83.

Segil, Larraine. "Strategic Alliances for the 21st Century." *Strategy & Leadership* (September/October 1998): 12–16.

———. *Intelligent Business Alliances: How to Profit Using Today's Most Important Strategic Tool.* Times Books, September 1996.

Singh, Harbir, and Prashant Kale. "Building Alliance Capability." *Managing Knowledge Flows and Transfers* conference report. http://emertech.wharton.upenn.edu/emertech/ConfRpts_Folder/cfKnowFlo.html (21 May 1999).

Spekman, Robert E., et al. "Creating Strategic Alliances Which Endure." *Long Range Planning* (June 1996): 346–357.

———. "Alliance Management: A View from the Past and a Look to the Future." *Journal of Management Studies* (November 1996): 747–772.

"Strategic Alliances: Institutionalizing Partnering Capabilities." *The Conference Board* (1997).

Weber, Joseph, and Amy Barrett. "Special Report: Partners." *BusinessWeek* (25 October 1999): 106–134.