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# Alliances

Strategic Success in the New Economy

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## **Tactical alliances in E-business**

This presentation was given at 'WWW Strategic Alliances Conference', in London, 7/8 December 2000.

The presentation was the first of a session and an overview of some issues to consider during the later presentations.

These notes have been added for the benefit of users of the version found on the Northlight Web site.

As ever with this type of presentation it's much better with the real presenter. ;-))

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## Why partnership?

- 1999 32,795 M&A deals (Thomson Financial Securities Data)  
Worth \$3.35 trillion
- 1999 7258 Joint ventures (Thomson Financial Securities Data)

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Some US data to give a size of the amount of activity.

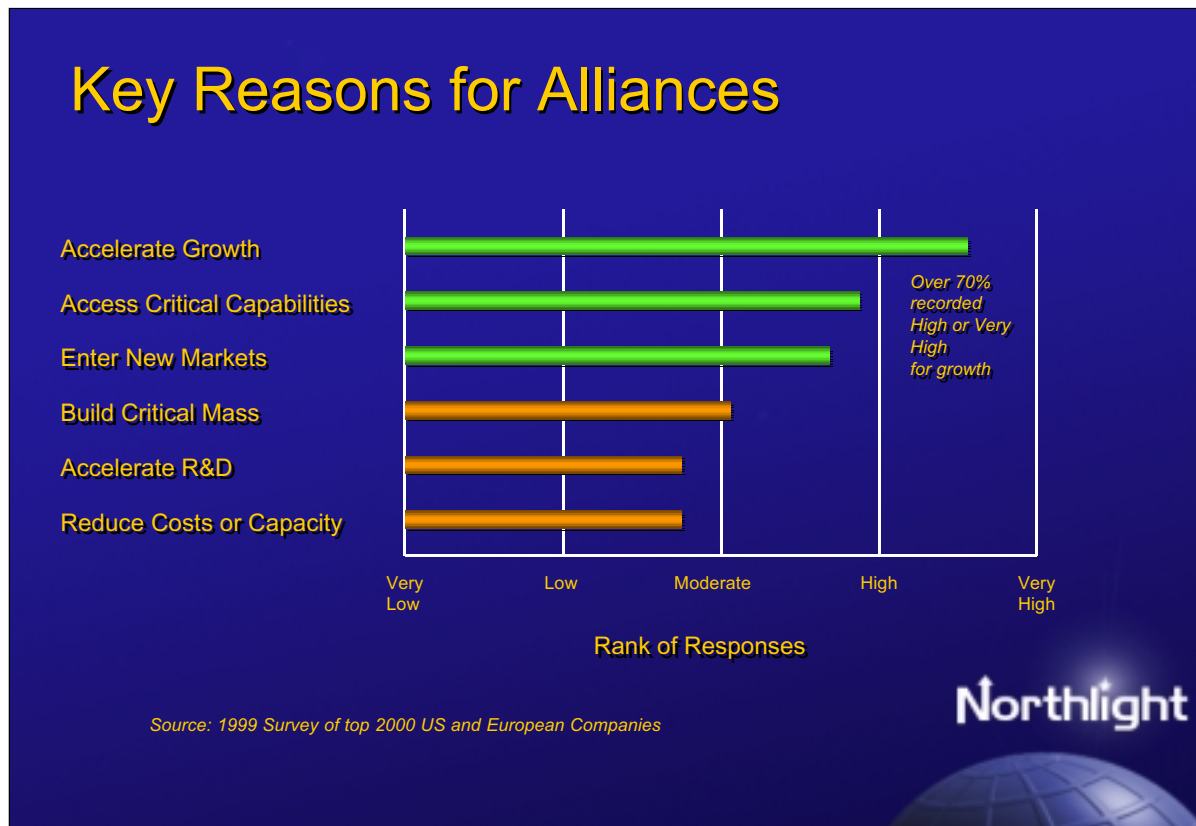
Total activity is obviously many times this.

## Why partnership?

- More than 20% of revenue for the top 2000 companies in Europe and the US
- \$30-50 trillion by 2005 (BA&H)

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How important it is in the activities of large companies



These figures indicate some of the key reasons given for Alliances.

Acceleration of growth is by far and away the most popular reason.

# Evolving factors

- Capital and labour -Mass Production
- Process standardisation - Output/costs
- Quality - Competitive advantage
- Strategy and technology
- People and the 'Knowledge Economy'  
The only 'non-replicable' source of competitive advantage

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The evolution of business activity, leading to the increased appreciation of the true value of people, along with the realisation that this is a limited resource.

# Driving forces

- Blurring of competitive boundaries
- Advances in communication
- Intensifying competition
- Technology standards
- “We’ve done it before”.

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Factors influencing peoples decision to look at alliances.

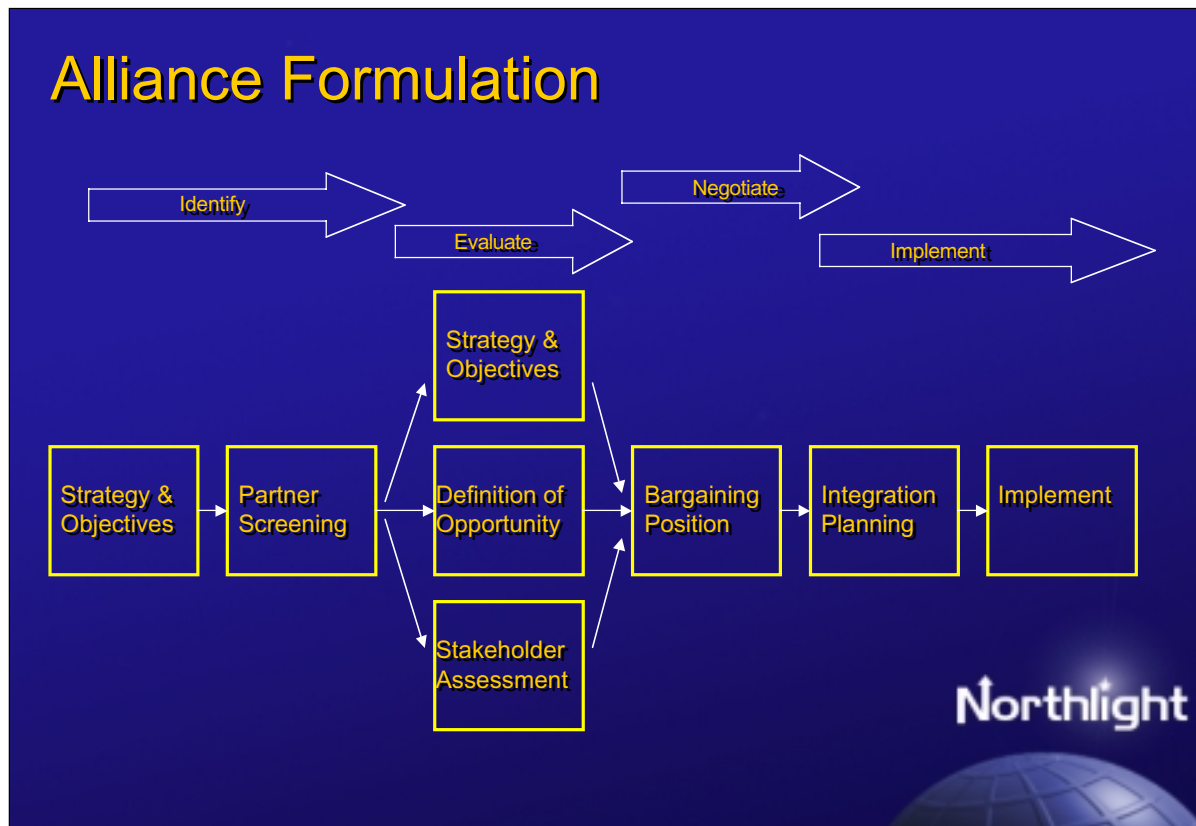
## Finding your partners

- Know the industry
- Cast your net wide
- Be wary of any press release!
- Know what you want.

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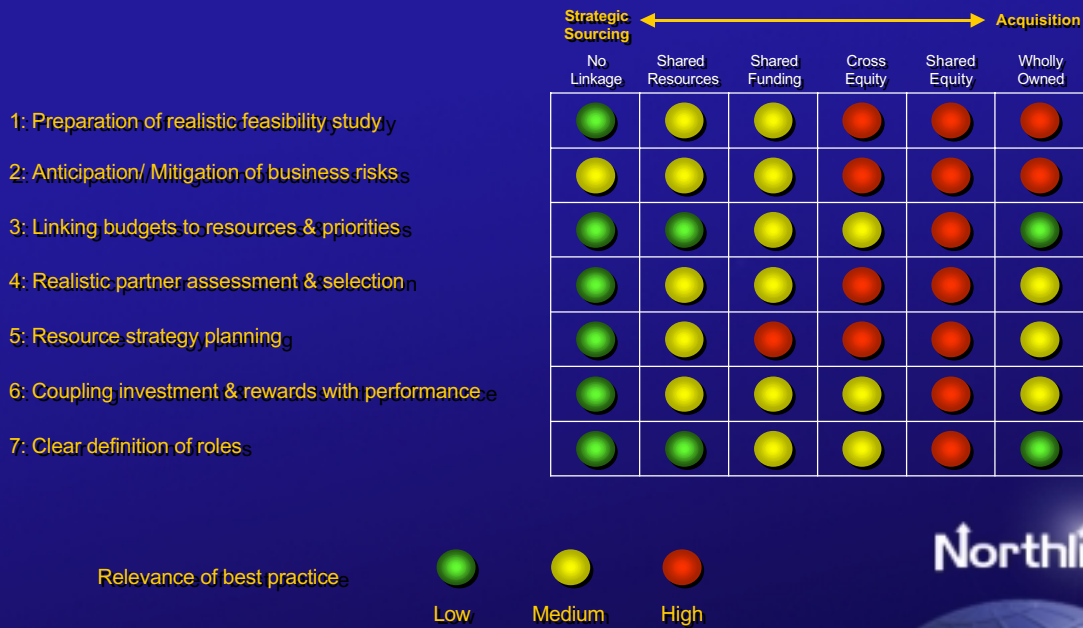
Some key issues when it comes to looking for partners.

Try and look at plenty of alternatives, and in e-business its even more important than ever to avoid buying into 'pressreleaseware' or vapourware as it often known



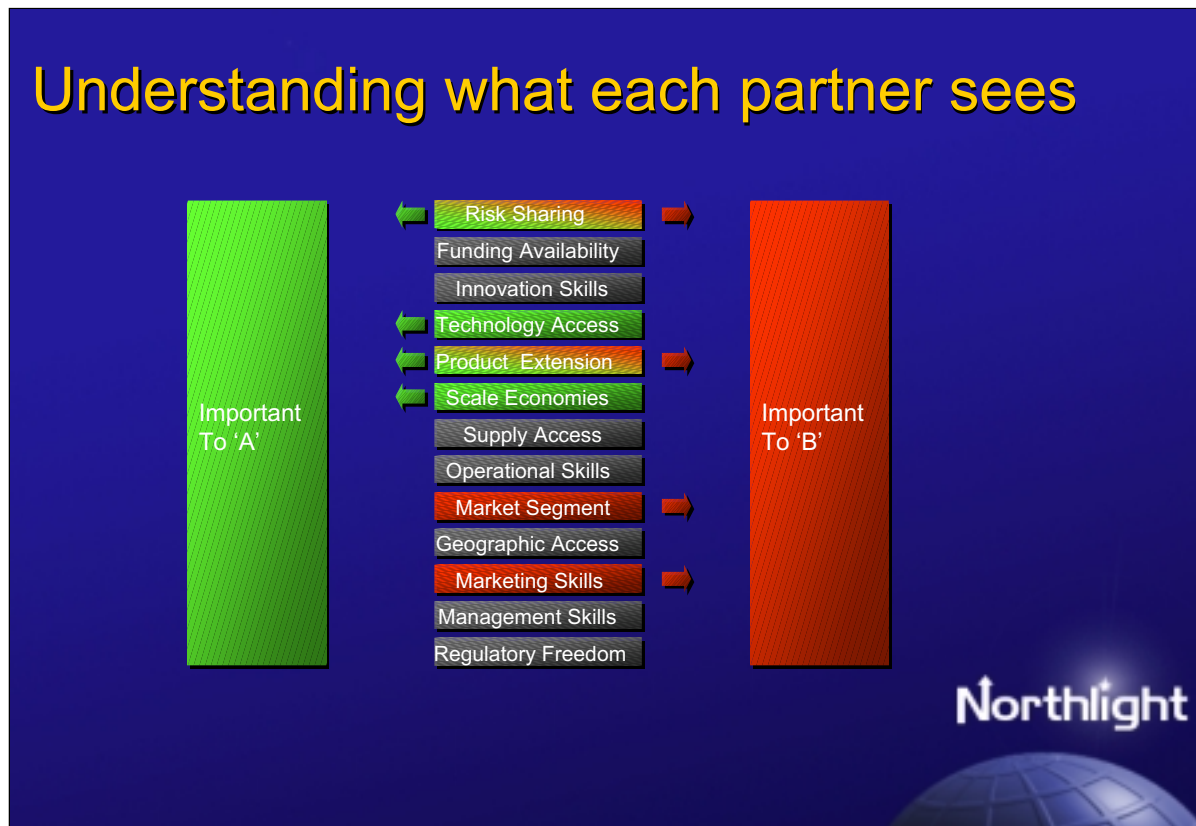
Some of the processes involved in alliance formation.  
A rigorous approach will benefit you in the long run.

# Different Types of Alliance



A chart illustrating the wide variety of alliances and the differing requirements they bring.

## Understanding what each partner sees



It is vitally important to understand what your partners want and that they understand your needs.

Thus we have some items of interest to one or both, but others of limited concern to either.

This helps set realistic expectations.

## Getting it to work (1)

- The social structure must work
  - Communications patterns that unite
  - Beliefs that divide
- Understand the other person's motives
  - Fear leads to lack of trust.

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Some high level 'cultural' issues that can make or break an alliance.

It really is the 'people' issues that make the difference.

## Getting it to work (2)

- Understand the other organisation
  - Personnel structures
  - Control
- Appreciate the degree of importance.

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More high level 'cultural' issues that can make or break an alliance.

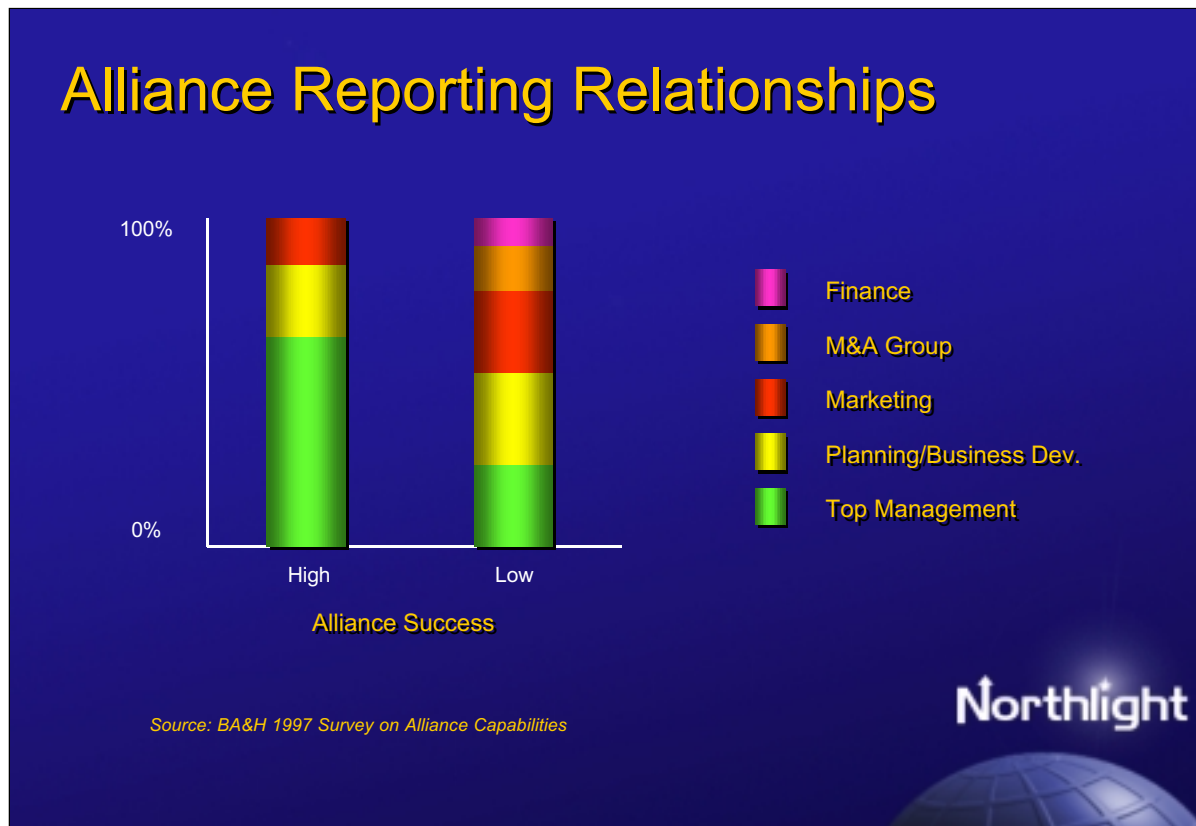
In particular, remember that the relative size of organisations can strongly colour their patterns of interaction. Just because it's vital for your company...

## Keys to success

- Positive personal connections
- Initial negotiations set the tone
- Well integrated communications
- Team selection
- Monitor success.

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Some key issues that have been shown to go with successful alliances.



Some useful data showing the importance of reporting relationships.

It seems that the involvement of Finance and M&A (mergers and acquisitions) is not conducive to success (-:-)

## Barriers to success

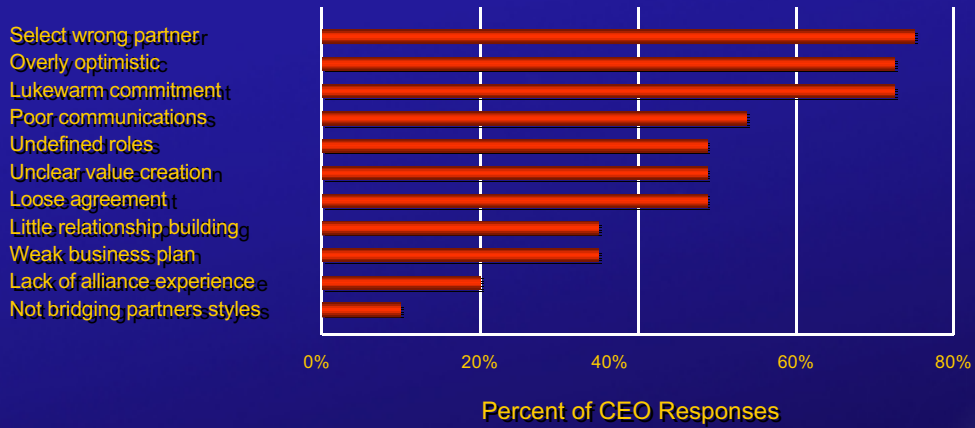
- Top-down senior management
- Unclear strategy and conflicting priorities
- Ineffective senior team
- Poor vertical communication
- Poor cross-functional coordination
- Inadequate down-the-line management skills.

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How to promote failure...

## Key Reasons for Failure

From a survey of over 500 CEOs



Sources: 1990 - 1996 Dataquest, BH&A

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Some reasons it all went wrong...

## What to do

- It is not whether to develop a strong partnership capability and capacity, but how strong and how quickly
- Have clear objectives
- It's the people that count.

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Key points

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***Thank you***

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