Building an alliance ecosystem

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Canadian CEOs have long recognized the benefits of strength in numbers. Even still, 2019's Canadian CEO Outlook reveals a growing interest in strategic third-party alliances over organic growth and traditional partnership frameworks. Where organic growth was identified as the top growth strategy in 2018, nearly a third of this year's respondents (32 percent) made strategic, third-party alliances their topmost approach (up 14 percent from 2018). Furthermore, 63 percent of Canadian CEOs intend to collaborate with innovative start-ups (e.g. fintechs, InsureTechs, HealthTechs, etc.) and 35 percent aim to explore partnerships with third-party data providers.

Partnering for growth

Canada's growing affinity for third-party alliances may be a product of market unpredictability and the pace of innovation exceeding our ability to adopt it. Political and economic shifts make more capital intensive solutions like joint ventures or mergers and acquisitions (M&A) less appealing, while third party alliances can be launched quickly, allowing organizations to be agile and react to market demands. For these reasons, only 15 percent of Canadian CEOs are set to pursue joint ventures or M&A, while 27 percent plan to foster organic growth, and only 12 percent are considering outsourcing as a viable growth strategy.

Interest in third-party alliances may also come down to time (or lack thereof). A majority of Canadian CEOs (52 percent) recognize the only way for their organization to achieve the agility it needs is to increase the use of third-party partnerships. And surely, today's organizations must adapt to changing technologies and innovations at speeds few can while trying to keep a business running at the same time. Therefore, the questions for CEOs become, 'Why try to do this ourselves when specialists have already built it somewhere else? Why build from the ground up when there are proven firms with those skills and capabilities at the ready?'. With that approach in mind, we are even seeing organizations enter alliances with companies they once would have seen as competitors or threats (e.g. municipalities partnering with ride-sharing services to extend public transit, retailers partnering with logistics and distribution specialists to get their products to their customers faster, etc.).

The fact a significant majority of Canadian CEOs (60 percent) favour quality over quantity from their strategic alliances indicates that CEOs are also tempered in their approach. Gone are the shot-gun strategies of the dot-com era where companies raced to add the most logos to their alliance webpage in order to increase the valuation of their company's IPO. Today, CEOs are more willing to wait for a good fit rather than jump at every shiny new technology, business model, or innovation that comes their way.

Fail fast, fail often

Not all partnerships are guaranteed to last; in fact, a good majority do not. It takes more than a great idea, lunch and a handshake to find the ideal fit. After goals have been set and contracts signed, it takes continual work from all parties to ensure the alliance is performing as expected and all teams are trained, equipped, and committed to making it work. This can require heavy lifting for organizations that do not have the resources in place to foster outside partnerships. Combine the fact that Canadians are traditionally more cautious by nature, and it is understandable that 60 percent of our

CEOs have reconsidered third-party alliances that would have helped their organization because it did not fit their purpose or culture once proper due diligence was completed.

Defining alliances

The lion's share of Canada's investments in innovation are within the academic sector, whereas countries like the US favour investments in the start-up sector - where those investments can more quickly be commercialized as new products or services. And while our strategy has helped Canada lead the way in advancing artificial intelligence, automation, healthcare technology and many other innovations, it has also seen our homegrown research and ideas commercialized more quickly by others rather than being brought to market as value add offerings through companies here in Canada. Moving forward, Canadian CEOs would do well to make sure that any Canadian intellectual property borne from strategic alliances moves on to benefit their homegrown creators. Partnerships are not easy, but it is more difficult to travel alone. CEOs that benefit from strategic alliances are those who can evaluate their opportunities effectively (and objectively) from the start; embed the people, support, and resources to help their partnerships flourish; and have the commitment and risk tolerance to see them through to their full potential. No longer do CEO's just have to decide between whether to buy or build – now they can buy, build or partner.

Strategy to achieve growth objectives:

ORGANIC GROWTH
27% 25%

JOINT VENTURE
15% 15%

STRATEGIC ALLIANCES
32% 34%

M&A
15% 17%

OUTSOURCING
12% 10%

60%
are looking for quality over quantity when it comes to new partnerships
71%

52%
view third-party relationships as the only way to achieve agility
66%

60%
have reconsidered a third-party relationship that would have helped their organization because it didn't fit their purpose or culture
57%