Strategic alliances: a real alternative to M&A?

Driving growth through strategic alliances
Realizing value series

As critical drivers of growth, strategic alliances should be up there with mergers and acquisitions (M&A) as a top priority for CEOs. But without rigorous planning, execution and nurturing, many alliances can fail to live up to expectations. In the face of fast-paced disruption and convergence, those organizations that embrace collaboration fully and professionally are likely to get the most out of this vital strategic tool.

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Do strategic alliances get the attention they deserve?

Alliances have the potential to offer considerable commercial benefit when entered into with mutually understood strategic ambitions and managed appropriately.

Numerous businesses across multiple sectors have demonstrated the power of strategic alliances, to bring together complementary capabilities to mutual commercial benefit. Despite a growing body of evidence that strategic alliances can help to transform business and operating models and deliver attractive financial outcomes, they continue to suffer from fundamental misperceptions that reduce their effectiveness. These include:

- A lack of agreement over what constitutes a ‘strategic alliance’, meaning that some alliances are considered as minor partnerships or, worse still, buyer-supplier relationships

- An underestimation of how the hidden agendas of different partners can significantly block collaboration and joint value creation, if they are not uncovered

- A widespread belief that, once you have found the appropriate partner fit, alliances are easy to implement and will largely take care of themselves – when in fact they are extremely difficult to get right

- A lack of appreciation by CEOs of the huge significance of strategic alliances: these are major, once-in-a-lifetime transformations that can impact the entire company’s future, but they are rarely treated with the same importance as large M&As.

KPMG member firms’ own experience from forming alliances, and conversations with clients, have taught us that alliances should be led by a dedicated team that knows how to manage the interdependencies between the three core elements for success:

1. A clear, mutually understood strategic and commercial ambition

2. A detailed alliance business model

3. A flexible operating model that underpins the business model.

In the following pages we look at the evolving alliance landscape, consider why some alliances succeed and some fail, and highlight the key steps to an effective partnership that meets both parties’ interests.

About this paper

To support our perspective with practical evidence, in mid-late 2017 KPMG professionals surveyed 50 alliance experts from around the world, all with significant experience of planning and managing major strategic alliances. The respondents represent 13 different industries, including automotive, fast moving consumer goods (FMCG), pharmaceuticals and manufacturing. More than two-thirds work for Fortune 500 companies and virtually every respondent has led the strategic set-up as well as the operational management of alliances.
Alliances are reshaping entire industries

For many organizations strategic alliances are becoming a fundamental part of corporate strategy as a means of keeping abreast of disruptive technologies.

We expect the impact of alliances to be so profound that, within a decade, key players across multiple industries may be unrecognizable. Many of the respondents to our survey feel the same way, with 58 percent stating that their own industries will be either entirely reshaped or significantly influenced by new business combinations.

It’s, therefore, no surprise that more than half of the respondents confirm that strategic alliances are a fundamental part of their organization’s future strategy.

How important are alliances within your corporate strategy?¹

KPMG’s 2016 CEO Outlook², which features the views of 1,300 CEOs of major companies worldwide, mirrored these findings. Fifty-eight percent of respondents cited ‘collaborative growth’ as the key vehicle to drive shareholder value, with ‘partnerships and collaborative agreements’ taking precedence over M&A.

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KPMG’s 2017 CEO Outlook merely reinforces this trend, with 70 percent of CEOs admitting that they are more open to new influences and collaborations than at any previous point in their careers. With the speed and pace of disruption, impacting virtually all sectors, alliances can offer quick access to disruptive new technologies, thus helping traditional businesses to stay relevant.

Of course alliances are not an entirely new trend: pioneering industries like pharmaceuticals and technology have used alliances as a key growth strategy for the past couple of decades. One former Head of Alliances at a specialized pharmaceutical company remarked, “We have managed to become a specialized US$1.5 billion turnover company mainly due to our partnerships strategy, which focused on forming alliances across the globe.”

This trend is already spreading across other sectors. For example, in the automotive sector, the past five years have seen a shift in alliance archetypes away from familiar horizontal alliances towards cross-sector strategic alliances – mainly with technology companies as a means of accessing new disruptive technologies. At the same time, traditional M&A activity has also seen a shift towards acquiring innovative technology start-ups. As the visual below highlights, the number of cross-sector alliances (involving the top 15 auto companies) has grown dramatically in recent years. Having witnessed just a small number of such partnerships between 1998-2007, the industry saw 13 in the first 9 months of 2017 alone, taking the total to 52 over the past decade.

Changing alliances landscape in automotive industry 1998-2017

Based on the top 15 players and including selected examples from KPMG’s database

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Number of Alliances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-2007</td>
<td>11</td>
</tr>
<tr>
<td>2008-2017</td>
<td>30</td>
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</tbody>
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Notes:
- a) Selected examples from the KPMG database
- b) Information based on the top 15 players - excludes divestments to buyers outside the top 15 and supplier acquisitions
- c) Dates represent when the alliance was formed. If more than one date is given, subsequent dates relate to renewals, stake changes or third party additions
- d) Daimler is a leading investor but other automakers have recently invested in Chargepoint

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Cross-sector collaboration: exciting opportunities

As we have seen in the mobility space, alliances can help transform individual business models through previously unforeseen combinations, and entirely reshape industry value chains.

Collaborating with a business from a different sector opens up enticing prospects – but is not without its challenges. The two parties may have entirely different cultures (e.g. conservative versus aggressive), varying risk and innovation appetites, as well as conflicting ideas about things such as the pace of product development and the best routes to market.

It will be interesting to see how the various new cross-sector automotive alliances progress, as a Strategy Director at a major automotive player commented, “If companies adopt a traditional M&A approach to managing an alliance, then they will almost certainly fail.” He believes that two shifts in attitude need to happen to make new innovative partnerships successful. Firstly, accepting and learning to deal with the independence of partners as each party continues to operate autonomously and maintain its identity. This is very different to what Original Equipment Manufacturers (OEMs) are traditionally used to, which is to focus on legal, financial and rigid governance structures to protect how their organization currently operates. Secondly, he believes the approach to managing alliances needs to be different: “As markets evolve and mature, not all of them will be formed with a long-term objective. For example, we will form some alliances for a fixed period to capitalize on an immediate technology opportunity, which we may then bring in-house in the future. However, for those that are more long-term, there needs to be a fusion of cultures for success.”

A new business model: alliance matchmaking

For companies considering alliances, one of the most onerous tasks is often finding the right potential partner. In response, a new business model is emerging: a ‘corporate matchmaker’ that seeks to ease the pain of searching by pairing mutually compatible companies.

Selected examples include players:

- with a global cross-sector reach like Powerlinx
- which focus on a particular region such as Hong Kong Trade Development Council (HKTDC) Business Matching, which helps to identify and screen potential Hong Kong businesses, and Enterprise Europe Network (EEN), which looks at Europe
- which focus on a sector such as Matchi, which connects financial institutions with Fintech players.
The next wave of cross-sector alliances is likely to involve a complete rethinking of current business models. Take the personal mobility sector, where customers have traditionally had to self-aggregate a variety of services to reach their destinations. As we accelerate towards on-demand mobility, via aggregated platforms pulling together a variety of services, new types of companies are likely to enter the market – companies that were previously seen as completely unrelated to transportation. Unlike collaborations like Spotify and BMW (bringing music into vehicles), Paypal and Jaguar (enabling payments), Audi and Chinese tech giant Baidu (developing in-car digital services) or Ford and Medtronic (enabling in-vehicle, continuous health monitoring) are all on the table.

Automotive manufacturers are also partnering with public authorities in search of wider mobility solutions, as one of the leading manufacturers explains in regard to their operations in China: “We’re currently working with Jiangjing Industrial Park in the city of Nanjing to provide a shared mobility solution for the people that are residing within the industrial park. It is a first for us to establish a strategic alliance with a government in building smart cities. We are able to test out our mobility solution in the market while assisting the city of Nanjing to achieve its goal to reduce the number of passenger cars on the road along with CO₂ emissions.”

As the old lines between industries and different players become blurred, collaboration between multiple partners will be necessary, involving both data and physical assets. These collaborations may sound exciting and in many ways offer many advantages over traditional M&A, but they are also very complex and need careful management to avoid the pitfalls that can limit success.
Strategic alliances as a viable alternative to M&A

Even though strategic alliances offer many advantages, success can be difficult to achieve due to the unique challenges this form of collaboration can present.

Traditionally, companies wanting to make big strategic leaps forward have opted for M&A when looking to enter new markets, gain economies of scale or access new capabilities. But the speed of disruption, and the need to make bets on multiple products, services and sectors, has meant that strategic alliances have become an increasingly attractive and flexible alternative – especially for businesses that cannot afford large investments, or at least want to stagger their financial outlays.

### Key benefits

**A lower risk option to achieve scale or access complementary capabilities. Investment can be tested and phased, requiring less upfront investment.**

Alliances are usually driven by one of three motives: (1) scale (2) co-access (new markets, channels or distribution platforms) or (3) co-specialization (pooling complementary skills to create an entirely new product/service).

We see more and more alliances falling into the third category, where two partners get together to develop something entirely new. This type of alliance can often be the most rewarding, albeit most challenging, to execute.

**Speed to respond to disruption**

The rate of disruption means companies now need to operate at very different clock speeds. Strategic alliances provide a key tool for this.

**Access to strategically important partners which cannot be acquired**

The targets are either too expensive for the expected return or are simply not up for sale.

**Ability to create an ecosystem of strategic relationships**

If managed professionally, the alliances function can allow an organization to form relationships with multiple, strategically important partners concurrently which is difficult to achieve at the same pace via M&A.

**Flexibility in fast-changing, disruptive market conditions**

Compared to M&A, in most cases it’s easier to unwind or chart a different direction with an alliance.
Alliances may promise a host of attractive benefits, but there is relatively little published evidence of their effectiveness. This is in stark contrast to the wealth of statistics on M&As covering both volume and success rates. Part of the challenge in evaluating alliances’ performance is the lack of agreement over what constitutes a ‘strategic alliance’, as well as the sheer difficulty in tracking such collaborations. If you define success as meeting initial financial and non-financial goals, then KPMG member firms’ experience working on alliances, allied with the results from our recent survey, as well as other published sources, suggest a success rate of 30-40 percent. For example, just 30 percent of the alliance professionals surveyed say their companies’ alliance success rates were high.

How would you rate the success of your own strategic alliance?

How would you rate the success of your own strategic alliance?

Lack of clarity over who drives the relationship in contrast to a clear balance of power in classic M&A.

The same factors that make alliances a desirable alternative to M&A – namely their transient nature, and lower upfront financial commitment – can also prove obstacles to their success, and prevent the big strategic idea translating into operational reality. With less perceived pressure to deliver return on investment, alliances can slip off the C-level radar, which in turn can translate into a slower and less committed execution.

KPMG’s Christoph Zinke, Head of the Global Strategy Group for Asia Pacific, feels that these are not the only obstacles to overcome: “In certain regions like China, a host of factors add to the complexity of an alliance. These include the demands of a five year plan, the fast speed of regional development, cultural differences, and disruptive changes across numerous industries, as the main players learn to cope with new entrants and new relationships in the value chain. When you consider all these different issues to cope with, it’s apparent that a strategic alliance requires just as much hard work and C-level attention as an M&A. But these are not impossible obstacles, and by directing appropriate attention to the alliance, the results can be extremely powerful.”

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Many reasons for low success rates - but one underlying root cause

Misalignment between two parties’ strategic and commercial ambitions, as well as core components of their business and operating models, can severely impact success rates.

When asked to name the top five reasons why strategic alliances fail to meet their objectives, the respondents to our survey gave a wide range of answers, many of which relate to issues like a change in market circumstances, cultural differences, a lack of required commitment/buy-in and mutually incompatible goals.

We believe these factors arise from a single, fundamental root cause: the inability to align the three core elements of an effective alliance:

- **A clear, mutually understood strategic and commercial ambition**: Are you clear as to what problem you are trying to solve and why you are entering the alliance?

- **A detailed alliance business model**: Have you clearly defined upfront which markets, propositions and customers the alliance will pursue? Have you established what is unique about your partnership and how it benefits both parties?

- **A flexible operating model that underpins the business model**: Do you have the right team, governance and infrastructure to make the alliance work? What operational challenges could exist as a result of the alliance, and how will these be managed?

To try to better understand why some alliances ‘work’ and some do not, we asked each of the 50 survey respondents to outline one successful alliance and one unsuccessful alliance that they had been involved in. The results are outlined on the following pages and show very clearly that in addition to upfront clarity, the real skill lies in being able to translate the original alliance idea into an operational reality.
An assessment of 50 successful and 50 unsuccessful alliances

Examples of the areas covered by the healthcheck questionnaire include, the degree of clarity in terms of:

- Which markets are being targeted?
- Which propositions will be offered?
- To which customer groups? etc.

Examples of the areas covered by the healthcheck questionnaire include, the degree of clarity in terms of:

- How will the alliance be structured and governed?
- Which technology platforms will be used?
- Who will perform what roles and how people will be incentivized?

Clarity and consistency can make or break alliances

50 successful and 50 unsuccessful alliance cases were analyzed based on our healthcheck questionnaire.

The questions examined the clarity the team had achieved in each component of the business and operating model of the respective alliance.

The cumulative results show that clarity is the key to success in translating alliance ideas into an operational reality.

We examined each successful and unsuccessful alliance separately and could see the following trend which corresponds with our experience:

- Each successful alliance was consistently clear about what it was trying to achieve as it went through the process of defining and working out its business and operating model.
- On the contrary, each unsuccessful alliance had a ‘breaking point’ somewhere along the way. E.g. if an unsuccessful alliance was clear about the markets and customers it was going to serve, when it came to the operating model healthcheck questions, it was not able to achieve the required degree of clarity about what organization structure or governance would be optimal to do so.

Notes:

a) All respondents stated upfront that the strategic and financial ambition of all examined cases was sufficiently clarified.

b) The totals shown on the graph for both successful and unsuccessful alliances do not total to 100 as those answers rated 2, 3 and 4 on the scale have not been presented.

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The responses strongly suggest that, in successful alliances, the ‘levers’ within the business and operating models are consistently more clearly defined and acknowledged by both parties (the reverse was the case in alliances that failed to meet their goals). A more detailed examination of the 50 unsuccessful alliances confirmed that each appeared to have one or more ‘breaking points’ somewhere on the road between idea and execution. For example, although an organization may have defined its strategic ambition and business model, it was often unable to integrate these into daily operations.

As one former Head of Alliances for a major pharmaceutical company acknowledged: “We lost a lot of time and money with one of our strategic partners, when it became apparent on the operational level that their understanding of ‘quality’ was rather different from ours. As they brought their manufacturing capability and geographical presence into the alliance mix, we had to stop and rethink the entire relationship.”
The route to success

Making alliances work.

So how can companies ensure that their partnerships are evaluated thoroughly in advance, set up effectively, and managed tightly to ensure a better chance of achieving mutual goals? The answer lies in aligning ambition, business and operating models, enabled by a clear guiding blueprint for how the alliance should actually work in practice – and an experienced and highly professional team to make it all happen.

The following practical tips, combined with relevant case studies, should help companies drive the necessary alignment with prospective partners, as well as evaluate whether their own alliance teams have what it takes to plan and execute a complex partnership.

1. A clear and mutually understood strategic and commercial ambition

We believe successful alliances require the following steps to be undertaken:

**Evaluate and challenge the rationale for partnering**

Each partner needs to clarify the core capabilities it wants to preserve, and the additional capabilities it needs (which could be gained by building, buying or partnering) to meet changing market conditions.

Speaking of KPMG’s own industry – professional services – Jens Rassloff, Global Head of KPMG’s Strategic Alliances, says: ‘Technology is the big disruptor that is completely reshaping the sector. But it’s clear that member firms cannot simply transform their DNA to become a technology company – nor would they want to. And, given the speed of technology development, buying tech businesses is not always a viable option. Taking these factors into consideration, we made a commitment to use strategic alliances to give member firms access to crucial new innovations.’

**Ensure clear links between alliance strategy and corporate strategy**

As the case study below illustrates, those people involved in initiating and leading strategic discussions on alliances may not always be fully aware of the wider organizational strategic goals – and financial restrictions, and as a result could agree an alliance which risks being at odds with the corporate’s strategic objectives.

### Case study 1: An alliance between a major corporation and small start-up in the healthcare industry

**A promising start:** A number of senior executives from both organizations met several times, and all concluded that the start-up’s end user data – and the cutting edge technology for collecting this data – would help the corporation better serve its existing clients. As such, the corporation talked enthusiastically about investing in the start-up.

**Progress starts to stall:** The corporation’s executives were not taking ownership for advancing the idea, and the start-up’s founders were getting impatient with the slow progress of negotiations. It took just a couple of weeks of assessment (through key stakeholder interviews) to realize that the corporation’s strategy and risk appetite would never have allowed an upfront acquisition. The corporation also had strict requirements for return on investment for any alliance and demanded ‘proof of concept’ (tests with clients) before any formalization.

**Slipping priorities:** For the corporation, the potential alliance seemed to be of less strategic importance than certain other prospective and current partnerships. Management finally chose to proceed with the alliance test phase, but decided to pause any formal alliance talks until successful piloting was completed. The start-up founders who were initially interested in an exclusive cooperation, still continued with the test but began to search for other partners.
Command full C-level focus
A substantial proportion of our survey respondents – 40 percent – feel that strategic alliances need to assume a higher priority on the C-level agenda. With sponsorship and stakeholder clarity around key performance indicators (KPIs), such as return on investment or defined risk appetite, the alliance should have a better chance of receiving sufficient support and resources to succeed.

How does your company’s approach to strategic alliances/partnerships need to change?10

- Strategic alliances need to move up the C-level agenda and be placed on a par with classic M&A
- Become more centralized in our alliance operations
- Hire more dedicated alliance resources and professionalize our approach to alliances
- Other

2. A detailed alliance business model

Once the ambition and strategic goals for an alliance have been confirmed, and appropriate sponsorship achieved, the following issues should move onto the C-level agenda:

Maintain momentum
When it comes to working out exactly how an alliance will work, many big ideas seem to fall through the gaps. There are numerous examples of alliances where, following the CEO’s handshake and initial agreement on strategic direction, there have been challenges in translating these ideas into tangible results. Only through strong commitment on both sides can alliances make progress.

Translate the agreed strategic and financial aspiration into a clear, detailed business plan
Once both parties have worked out the details of the unique joint proposition, and which markets and clients it’s going to serve, they need to address the more detailed question of valuation and profit-sharing models. It can be very difficult to calculate a ‘fair’ distribution of expected financial gain that reflects relative contributions to incremental revenue – especially when the alliance is developing an entirely new, joint product or service. By taking a fresh look at each other’s initial commercial ambitions, the parties can agree whether the partnership continues to make commercial sense.
Test the business model with prospective clients
As we have mentioned earlier, the chance to test a proof of concept, before making a fuller investment, can reduce the risk of an alliance vis-à-vis an M&A or greenfield investment. A well-designed pilot should provide an indication of customer take-up – so long as the alliance partners employ robust data and analytics capabilities, to create reliable forecasts and sense check the alliance’s performance.

Case study 2: An alliance between a leading global retailer and a large Asian online platform

Taking time to choose the right business model: The retailer was aiming for a successful entry into the fastest developing consumer market in the world. The team carefully considered business model options and risks with respect to geographic regions, target customer groups, propositions and channels. As a result, the Executives decided to follow a two-step market entry approach.

Remaining flexible for change: Both partners agreed that the second step would be about testing and gathering experience on the business model front, while at the same time choosing the right operating model to support it. Given the complexity and big regional differences of the target market, numerous operating model options were on the table to be explored. Any future investment will be contingent on a successful outcome from this testing phase.

Lowering risks before full investment: The first step was about partnering with a local market leader to gain experience and build trust. With the aim of long-term, mutually beneficial collaboration, both parties took time to align the joint ambition and agree clear roles along the value chain. Significant time was invested in defining respective contributions along customer and product journeys.

3. A flexible operating model that underpins the business model

Agree a lean operating model and realistic timetable
Clients of KPMG member firms, and the respondents to our survey, often commented that the rush to set up complex operations resulted in subsequent corrections – or even an unwinding of the entire alliance, sometimes at great cost. Instead, the alliance operations should follow a well-defined business model, and be as lean and flexible as possible, in order to scale up or down when necessary – possibly at short notice. KPMG member firms typically run a series of joint workshops with prospective alliance partners, in order to define crucial ‘levers’ which need sufficient focus when determining an alliance operating model.

Amongst the key questions to ask, ahead of implementation, are:

- What processes will be critical for the alliance to develop its joint product/service and serve its customers?
- What technology infrastructure is needed and who is going to provide it?
- What governance and risk controls are needed?
- What resources are required to handle the alliance’s day-to-day operations?
- What communication is required to get all relevant stakeholders aligned – including customer-facing staff?
- What are the critical cultural differences between the two parties, and how should these differences be addressed through the operating model?
- What measures and incentives should be embedded to ensure success?
Target flexible contracts
Contractual flexibility is also vital, to enable a fast change of direction should market conditions change, or where one or both parties fail to fulfill their obligations. When a partner is locked into a contractual relationship that is no longer strategically viable or desirable, the end result is often conflict, followed by a negotiated exit – which makes it more important than ever to prepare for such unintended consequences.

Sound legal advice can help partners retain flexibility in changing market conditions, with well-defined exit conditions.

Build an alliance capability, with an experienced and highly professional team
Today, virtually every company has a specialized M&A function, but many lack a similar dedicated Alliance department. As alliances become a more regular part of business life, companies of all sizes, across multiple sectors, should be confident in their ability to initiate and execute new partnerships. This means having a permanent, strong, professional alliances team that can lead or guide the process – possibly overseen by a Head of Alliances with overall responsibility across the organization. Naturally, the shape of the team depends on the overall organizational structure and geographical presence.

Our survey highlighted that at present, there are a variety of different models being used to organize alliance professionals. In some cases, the team is part of a regular Strategy, Business Development (BD) or Corporate Development function; in others it’s a separate central team looking only at alliances; or alternatively, it may be managed across a number of different teams from within the separate business units.

Case study 3: An alliance between a global technology giant and a global consulting company

| Operating model hindering progress: The companies formed an alliance as complementary capabilities and the joint customer proposition seemed to be clear and very attractive. The alliance has been in operation for years, however it was fragmented across different geographies and more on a regional rather than global scale. |
| New start: The new alliance management team decided to review the existing operations and reset the model. A lot of effort was put into setting up a proper global Alliance organization on the consulting company side, as well as recruiting alliance professionals and educating delivery teams on both sides. Governance and steering committees at regional and global levels were revisited and adjusted. The Alliance team also redesigned part of the original business model by focusing more on joint innovation and investment, and adjusting the ‘go to market’ approach. |
| Bumps along the road: The resetting of the operating model had its own challenges and was very time-consuming. It was a major change management project, where clear communication and a cultural shift towards more trust in the relationship were crucial factors for success. Both organizations operate in an ecosystem of alliances, meaning that in certain situations, the alliance partners have had to face each other as competitors. |
| Long-term success: Due to a more ‘fit for purpose’ operating model, and a lot of effort and sponsorship from senior stakeholders, over a period of three years, the alliance has become one of the most influential relationships for both organizations. It significantly increased the joint global client base and added notable, incremental revenue. |
How are you currently managing your strategic alliances/partnerships?11

- Dedicated central Alliances team
- Part of Business Development/Strategy team
- Decentralized approach within different business units
- Part of M&A team

We believe that the variety of different approaches being used to currently structure alliance resources can mean that alliances professionals get scattered around the organization and as such risk failing to coordinate activity or ensure consistency of approach.

Within KPMG’s member firms, our important strategic alliances are all led by a central team with direct, senior sponsorship, and dedicated resources that lead the alliance from the initial strategic discussions to the stabilization of operations. We also ensure that our alliance partners follow the same model so that the joint alliance team put in place is fit for purpose.

In addition to structure, having teams made up of resources which have experienced first-hand the challenges and peculiarities of a partnership model, can act as a significant advantage. In fact in recent years there has been a surge in demand for specialist alliance expertise, reflecting the growing importance of collaboration experience. Jens Rassloff remarked: “Companies are finally recognizing that they can’t simply treat alliances as special projects managed on the side of ‘business as usual’. They realize that this is a serious, professional position that warrants high-quality, experienced, full-time people.”

Develop an alliance blueprint

As alliances evolve, there will be inevitable teething problems and unforeseen challenges. The presence of a capable Alliance team creates a permanent presence that can observe and learn from any mistakes. It may be unrealistic to expect every aspect of the relationship to be covered in advance, but alliance partners should, at least, ambitiously aim to develop an alliance blueprint upfront to ensure clarity and consistency of aspiration from the offset. Circumstances can change quickly and upset the best-laid plans – like the departure of key sponsors, or regulatory changes. In these cases an alliance blueprint, safeguarded by the Alliance team, serves as a living, guiding document that records the alliance as it progresses from strategy to execution. This helps to keep all stakeholders on the same page and true to initial objectives.
Alliances should be high up on the CEO agenda

Action points for CEOs.

M&A has long been considered one of the most important things a CEO, and her/his company, will ever be involved in. But the pace and diversity of disruption is turning the spotlight onto alliances as critical, strategic tools to address a wide range of competitive threats. Recognizing the advantage and challenges that this unique type of partnership presents, CEOs should consider the following before entering into alliance discussions:

– Align internal stakeholders around the strategic rationale for entering into an alliance and the role they could play as part the overall corporate strategy

– Place strategic alliances at the heart of strategic decision-making:

  • move alliances up the C-level agenda

  • assign responsibility from strategy to execution to a single group, to ensure ownership and consistency of approach

  • invest in a professional alliances team rather than scattering responsibility around the organization

– Bring in independent advisors for the most strategically important alliances, to gain an unbiased view of the objectives, benefits and execution pitfalls

– Develop the internal expertise and experience to manage the interdependencies between:

  • a clear, mutually understood strategic and commercial ambition

  • a detailed alliance business model

  • a flexible operating model that underpins the business model

– Ensure that regular ‘healthchecks’ are carried out for existing partnerships, assessing their value add and adjusting as required.

The company of the future is likely to be an ever-changing, modular entity with blurring boundaries with many partners and industries. As alliances become an evermore fundamental part of this transformation, those organizations that dedicate appropriate resources to collaboration, should be well-positioned to ride the waves of disruption.
Reader comments

**Actions:**

**Share with:**
1. KPMG Strategic alliances survey, 2017 - conducted for this piece and not publicly available.


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