

Top 21 Alliance Execution Challenges to Focus Alliance Management Efforts

By Stuart Kliman and Lauren Krouskoff

Organizations increasingly utilize alliances to develop relationships for mutual gain, address business challenges, and drive bottom-line results. Given these partnerships' strategic importance, companies are continuing to dedicate resources toward building their alliance management capabilities. Although alliance success rates are increasing, a recent Vantage study found that when alliances fail to meet their objectives, alliance execution challenges remain the most significant cause. Vantage has therefore developed a list of the 21 most common execution challenges to help clients deal with this reality. Each of these challenges can be systematically addressed, providing organizations with an opportunity to improve alliance execution, enhance relationships with partners, and get closer to maximizing the value of their alliances.

Brief introduction to Vantage's newest alliance management study

In June 2015, Vantage published its latest comprehensive cross-industry study on alliances and alliance management, entitled *Transcending Organizational Barriers—A Cross-Industry View of Alliance Management Trends and Challenges*. The purpose of this study was to:

- Gain insight into the impact of ineffective management on alliance results
- Identify the new and persistent challenges of alliance management
- Test hypotheses about the root causes of alliance management challenges

The study, which was based on a nearly 500-respondent survey and a series of practitioner interviews, highlighted the significance of alliance execution challenges and their consequences.

(**Note:** Please reach out directly to skliman@vantagepartners.com if interested in receiving a complimentary copy of this study.)

Five categories of alliance execution challenges

Based on decades of client experiences, Vantage has organized the 21 alliance execution challenges (see *page 2*) into

five key categories. These categories are: Strategy Alignment, Governance and Leadership, Alliance Managers, Alliance Team Members, and Operating Processes and Procedures. This categorization organizes the various challenges that often arise throughout an alliance's lifecycle.

Strategy Alignment: Companies and/or those manning key governance committees often struggle to set a clear and well-defined alliance strategy up front, leaving partners unsure about one another's objectives and roles

Governance and Leadership: Governance is often not focused on truly enabling joint execution. As a result, partners are unclear on how to deal with competing priorities and differences in views

Alliance Managers: Challenges may be further exacerbated if Alliance Managers are not given the authority or lack the mediation, facilitation, and advanced collaboration skills to effectively intervene

Alliance Team Members: Team members often lack the skills or support to successfully collaborate and joint problem solve

Operating Processes and Procedures: Integrating operating processes and procedures are often not explicitly built and embedded in the fabric of the alliance, resulting in efficiency gaps and/or differences that are not well bridged

Four costliest challenges to alliances

As part of the study, survey respondents were asked to rate each of the alliance execution challenges (see *Page 3*) based on their frequency of occurrence and level of seriousness when they arise.

Four of the top eight most frequently experienced challenges were also reported as having the most serious consequences. We have labeled these four challenges as the "costliest."

The four "costliest" alliance execution challenges are:

- When new alliances are inked, immediate deadlines loom and partners focus quickly on *what* needs to get done without regard for *how* it will get done; insufficient attention is paid to an effective alliance launch process

21 Alliance Execution Challenges

Strategy Alignment

1. People working on an alliance lack insight into the objectives of their partner and therefore fail to account for them as they work
2. Changes in strategic priorities are not openly discussed or proactively managed by the partners; rather, personnel move, decisions become less transparent, and trust breaks down
3. No one in particular is held accountable for directly managing and watching for change, considering how it impacts the alliance, and guiding the alliance to adapt before the partners are at odds

Governance and Leadership

4. Leaders do not set clear expectations of what good collaboration looks like or hold alliance personnel accountable to those expectations
5. Leaders do not model effective communication and problem solving when they engage with their own alliance counterparts
6. Leaders give positional instructions, so alliance employees rigidly advocate their company's demands and struggle to solve problems creatively
7. Senior governance bodies (e.g., Steering Committees) are not "missioned" for proactive and engaged joint leadership
8. Committee members accept escalation from within their companies and form partisan views about problems that echo the same conflict, just up a level

Alliance Managers

9. Alliance Managers are not vested with the responsibility or authority to intervene in and drive collaborative issue resolution, so they are only able to encourage joint problem solving from the sidelines or argue for their own organization's views
10. Alliance Managers lack the mediation, facilitation, and advanced collaboration skills to effectively intervene in and drive issue resolution for the good of the alliance

Alliance Team Members

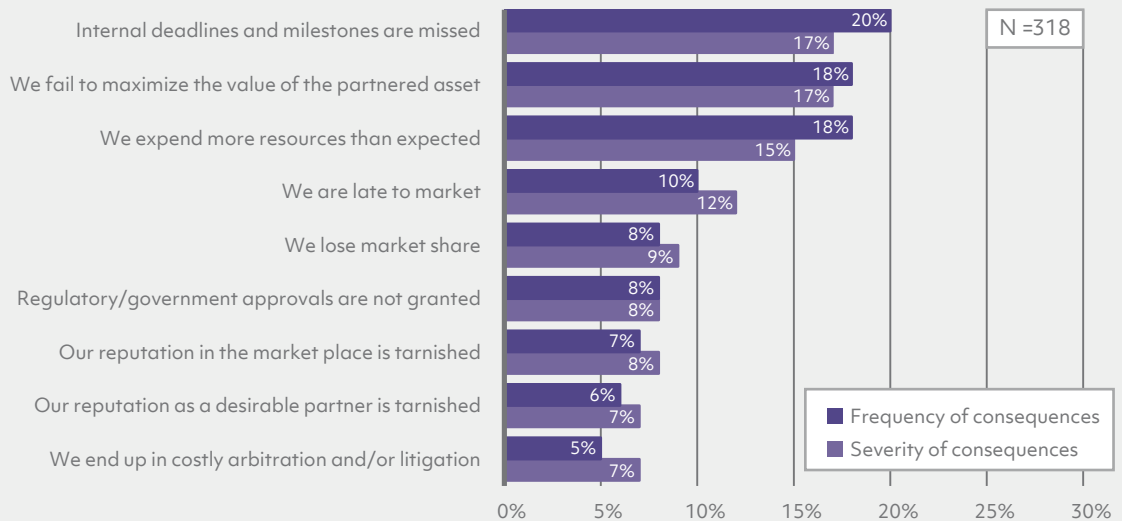
11. The alliance lacks enough people with the skills and expertise to work collaboratively on an alliance
12. Turnover, budgets, and changing priorities draw resources away from alliances without regard for the impact on the partner
13. People across the alliance do not communicate well or frequently enough with their counterparts, leaving too much open for interpretation and assumptions about the other's motivations
14. People across the alliance negotiate and resolve everyday conflicts by staking out and defending a company position instead of inventing creative solutions that take into account the needs of the partner and the alliance overall
15. Incentive structures (formal or informal) do not reward collaborative, alliance-enabling behaviors and actions

Operating Processes and Procedures

16. When new alliances are inked, immediate deadlines loom and partners focus quickly on what needs to get done without regard for how it will get done; insufficient attention is paid to an effective alliance launch process
17. Decision-making roles and processes are only as clear as what is built into the alliance agreement; without more detailed allocation of decision rights within and across partners and committees, decisions take too long
18. No standard conflict resolution procedures exist to guide open and collaborative issue resolution at the point of conflict, stalling decisions and leading to needless escalation
19. Escalation procedures are loosely defined, if at all, so conflicts just roll up with each partner trying to have their position or demand met by the next level of governance
20. Each partner has its own set of metrics by which the alliance is evaluated with no shared systems of metrics to jointly manage against
21. Our and/or our partner's rigid processes and protocols prevent flexibility and exceptions or adaptations to alliance circumstances

Delays, loss of value, and inefficient use of resources are the most frequent AND severe consequences of alliance challenges

Allocate 100 points across these possible consequences of 21 alliance execution challenges, assigning the most points to consequences that are, first, most common in your experience and, second, most severe.



- People working on an alliance lack insight into the objectives of their partner and therefore fail to account for them as they work
- Leaders do not set clear expectations of what good collaboration looks like or hold alliance personnel accountable to those expectations
- Turnover, budgets, and changing priorities draw resources away from alliances without regard for the impact on the partner

Interestingly, an organization's alliance management maturity impacts the frequency of execution challenges. "Immature" organizations (defined as Level 1 or Level 2 on Vantage's Alliance Management Maturity Model) reported experiencing all 21 alliance challenges *more frequently* than "Mature" organizations (defined as Level 3 or 4). This finding suggests that increased alliance management maturity may inhibit the prevalence of common alliance execution challenges.

Please note that a more in-depth analysis of the Alliance Management Maturity Model can be found in the study.

Consequences of alliance execution challenges

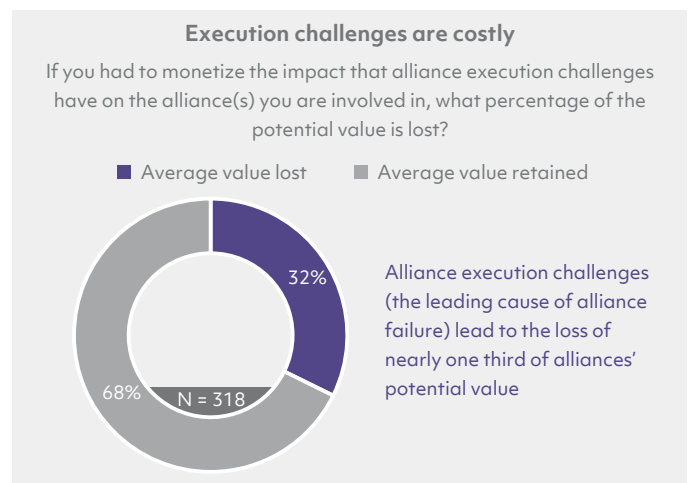
Alliance execution challenges prove to have tangible consequences. In the study, participants were asked to allocate 100 points among possible consequences of the 21 alliance execution challenges. Points were to be assigned to consequences that were, first, most commonly experienced, and second, most severe. Three consequences proved to be rated as both the most frequent *and* the most severe.

1. Internal deadlines and milestones are missed
2. We fail to maximize the value of the partnered asset
3. We expend more resources than expected

Failing to manage alliance execution challenges can have significant consequences that result in delays, loss of value, and an inefficient use of partners' resources.

Real value is lost

The consequences of alliance execution challenges have proven to be costly. Respondents estimated that an average of 32% of alliances' potential value was lost due to such problems. This statement held true across industries and illustrates the true negative impacts of poorly managed alliance execution challenges.



Going forward

Having in place the organizational capability to effectively manage alliance execution challenges can have a tangible positive impact on the value delivered from alliances. The challenges are not unknown or unable to be mitigated.

Companies can use the 21 challenges described above as both a tool to assess how they play out in its alliances and to frame up conversations about the alliance execution issues it faces. Once discussed, plans can be agreed and implemented, allowing for a targeted approach to enhancing an organization's alliance management capability.



About Vantage Partners

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