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Business Value

How to build global alliances

By Howard Baldwin

As more midsize companies expand internationally, business leaders should take note of some best practices on how to make global partnerships succeed.

In Summary:

- Appoint a liaison who can troubleshoot problems and interact with partners.
- Determine how you and your partners will communicate on an ongoing basis.
- Formulate under what conditions the alliance should end or be renegotiated.

Today, midsize companies are as likely to partner with businesses in other countries as they are with companies in their own geographical region. The benefits of offshoring and outsourcing can include reduced costs for software development, manufacturing, even back-office order processing. Sometimes an international partner is needed to break into a new market.

No matter what the motivation, the rules for building alliances do not differ just because one partner is beyond the border. However, international partnerships do require caution and due diligence.

"Midmarket companies can use alliances for growth, and, because they're smaller, the potential can be rather startling," says Larraine Segil, a partner at Vantage Partners, a Los Angeles-based consulting firm that focuses on alliances and partnerships. "The downside is that midsize companies don't have the capital resources that a larger enterprise might have for entering into a less-developed global market."

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Worse, executives at midsize companies may not have the expertise necessary to make global alliances work. That should not preclude your business from entering such an alliance, but you likely will have to work harder at building and maintaining the relationship than a larger company might.

To successfully put together a global partnership, you need to consider:

- the basic goals and structure of the alliance
- best practices for communications, including whether your technology systems are compatible
- how to measure the success of the partnership
- the breaking points that might trigger an alliance's demise
- language, cultural and time-zone challenges

None of this is easy. Vantage Partners estimates that up to 70 percent of alliances fail, or at least fail to produce the desired results. In a 2005 report, it added that failures are frequently a result of "relationship factors that can be controlled, such as ineffective decision making, misalignment of goals, and lack of common performance metrics."

However, the potential payoff of learning how to conduct business with global partners makes the effort worthwhile. "Developing alliances is going to be a core competency of executives in the future, says Alan Naumann, CEO of CoWare, a midsize San Jose, California-based developer of software for designing computer chips. "If your management team is good at it, you have a competitive advantage."

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Handling cultural and linguistic differences

If your company is just beginning to think about global alliances, Segil recommends thinking hard about location. In some areas of the world, geopolitical issues might introduce too much risk. Growing markets in countries such as Russia and China represent huge potential, she says, but also present dangers such as intellectual property theft. In China, for instance, it is generally accepted that intellectual property belongs to society as a whole, not to individuals. "You have to understand their ... expectations of management," Segil notes. "Understanding the many subtleties of management in different jurisdictions takes time and attention."

As important as clarity is in an alliance between executives who speak the same language, it is doubly important when they speak different languages. "You must have clear documentation of the terms, purpose and value of the alliance," says Jim O'Gara, vice president of business development for Front Range Solutions, a Dublin, California-based developer of applications for small and midsize enterprises, and a Microsoft Gold Certified Partner. This means having an understanding of legal issues in other countries and employing knowledgeable translators.

It is also a good idea to have one person at each company who is both the liaison and the champion for the alliance, says O'Gara, who has managed worldwide alliances at both startups and multinational companies. Having that champion ensures clarity regarding whom to contact in case of questions or concerns.

Doing business internationally also brings up process issues, such as with time zones. "If you're operating in Europe, China and Latin America, you can be up 24 hours," Segil cautions. "You might have to set up a meeting at a bizarre time for one of you, but do it infrequently."

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Measure and review alliance metrics frequently

You and your partners need to set up clear processes for the ongoing exchange of information and interaction. This might include identifying the liaisons within each company, as well as their backups; appropriate hours for contact; and how frequently partners will report progress to each other. Naumann, whose company has strategic partnerships with both Motorola and Cadence Design Systems, recommends having regularly scheduled executive reviews. This is an opportunity to step back from the tactical items and gauge whether the alliance is still serving the needs of each company, he says.

In Naumann's view, it is especially important to do this when your partners are as large as Motorola and Cadence. "They have a lot of issues besides what you're focusing on. You have to synchronize with them to keep adding value," he explains.

If both companies do not get significant benefit, the partnership will not have staying power. One partner may become unhappy with the balance of trade and start paying attention to something else. By monitoring the right metrics, you will know when it is time to withdraw. "If you're working with someone for two years and your market share in that region is going down, you need to rethink the partnership," O'Gara explains.

If all of this sounds time-consuming, that's because it is. "It's hard to find the right partner," Naumann says, "and then to implement and maintain the relationship."

Howard Baldwin is a Sunnyvale, California-based contributing writer to the Microsoft Midsize Business Center. His work has appeared in CIO, Optimize *and* InfoWorld.

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There are many ways that Microsoft technology can help manage global alliances. Two such solutions are:

- Microsoft SharePoint, which can allow groups to post and share documents on secure private Web sites.
- Microsoft Office Groove, a virtual workspace technology that allows disparate groups to work securely