

What to Consider in Creating a Strategic Alliance

An IISD Knowledge Communications Practice Note

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What to Consider in Creating a Strategic Alliance

Although many research institutes have experience with networks, partnerships, communities of practice and other forms of institutional and individual collaboration, an alliance approach is relatively new to these not-for-profit organizations.

The Alliance Model

The following is a short typology of “trans-organizational systems” (Cummings, 1984)—systems in which participation is by organization, not by individual.

Alliance	In the private sector, these are “Long-term purposeful arrangements among distinct but related organizations that allow those firms to gain or sustain competitive advantage.” ¹ An adoption of the private sector model by civil society organizations would involve real value appropriation (money, time and influence) among the parties in the alliance.
Coalition	An umbrella term used to describe a group of people or organizations coming together to achieve a specific goal, usually of a political nature.
Formal Knowledge Network	A time-bound and purpose-driven group of expert institutions working together, to build each other’s capacity and develop solutions for use outside of the network.
Partnership	In the private sector, the term partnership is narrowly construed to mean a business entity in which partners contract with each other to share the profits or losses of the undertaking in which they have all invested. In the public sector, the term has been expanded to cover virtually any type of collaboration in which the parties agree to share responsibility for achieving some specific goal.

There are many similarities among these models. What distinguishes them is:

- the degree to which management systems are integrated to support the collaborative work; and
- the degree to which there is corporate ownership and joint public communication of the relationship.

An alliance is more than simply sharing responsibility to achieve a common goal. It involves linked and common processes necessary to ensure the achievement of objectives; and real value appropriation (sharing of finances, time and channels of influence) among the participating institutions.

¹ Jarillo, C.J. Strategic Networks – Creating the Borderless Organization (Oxford: Butterworth-Heinemann, 1993)

There are three key drivers behind an institution's desire to form a strategic alliance with another institution:

- The need to bring more capacity to bear on its work: Can the institutes do more together than they can do separately? Can they mobilize their intellectual capacity more effectively as a team? Are there complementary skills across the institutes that would lead to better project design and implementation?
- The need for critical mass in order to have greater influence: Can a group of institutes speaking with a common voice have greater impact than if they speak separately?
- The need for new financing models: Will private and public sector donor agencies be more willing to pool resources to support an alliance of institutes rather than continue to support each institute separately?

Key features of an alliance include:

- Corporate management
 - real vested interest of the CEOs: each hopes to gain strategically from the relationship;
 - joint ownership and co-management of the relationship; and
 - risks and benefits identified, recognized and shared by all parties.
- Financial management
 - mechanisms put in place for managing and reporting on the shared investments and costs of the work.
- Project management
 - greater scope and scale of projects carried out in collaboration by the parties; and
 - planned interaction leading to greater depth and intensity of knowledge exchange and actions.
- Communications management
 - common language to describe the relationship; and
 - protocols for managing delivery of knowledge products and services of the alliance.
- Staff management
 - incentives and reward systems for staff making the alliance work (ensuring that alliance activities are a priority among all parties).

- Results management
 - ensuring common understanding and ownership of the alliance’s goals and objectives; and
 - planning and monitoring the full range of projects and actions to determine whether outcomes from the alliance activities have broader reach and impact.

In order to demonstrate the potential of an alliance approach, institutions seeking to form an alliance will need to actively manage and monitor the alliance to ensure that it extends beyond collaboration on individual projects. Institutions will want, in particular, to avoid the worst case scenario—that they simply work separately on issues of common interest and meet occasionally to discuss their findings. As the institutes begin to work together, they should seek to foster incremental levels of shared functions and actions, such as:

- planned interactions on research and joint projects;
- shared contacts and communications products and services;
- use of collaborative work tools;
- joint fundraising;
- a common fund jointly-managed for shared activities;
- a common stand on policy recommendations arising from joint research; and
- a monitoring and reporting mechanism that can validate the net enhanced value of collaboration compared to the transactional costs of collaboration.

Tasks for the start-up phase of an alliance

1. Analyze history of inter-institutional relationships

Relationship analysis is an important component in exploring how an alliance will work. It may be useful to review some of the successes and challenges the institutions have encountered in working together in the past. They will need to map the history of interaction across the organizations involved, with an assessment focus: what worked?; what were the challenges?

2. Review organizational mandates and cultures

A critical success factor in making an alliance work is the mutual understanding of organizational mandates and cultures. The institutions will have each emerged out of different circumstances, with many changes in leadership, management, funding levels and strategic priorities over their histories. As a result, each institute has its own unique organizational culture—mandates, constituencies, business models, management structures and communications practices. While the institutions may have known each other and worked together on many different projects, there may not yet be a shared understanding of exactly how and why each institution functions the way it does. Working together will help build a shared understanding of mandates and cultures, but a more formal articulation of these will also be necessary.

3. Define roles within the individual organizations

An alliance will need to cross functional boundaries of each organization. The institutions will need to identify the key personnel and articulate their roles. For example, the researchers will need to review their work plans. Financial personnel will need to meet to discuss models for sharing and reporting on funds raised to support activities, including a common format for reporting on in-kind contributions. Communications staff will need to interact on a regular basis to establish a common communications strategy for the alliance.

4. Address potential operational challenges

- a. *Consistency of commitment and timeliness of actions:* A common challenge in collaborative work is the clash of individual institutional priorities and the priorities of the collaboration. Institutions will need to set principles, incentives and performance criteria for all personnel involved in the work of the alliance.
- b. *Recognition of boundary relationships:* Each organization in the prospective alliance will belong to many other networks and partnerships. In effect, there are concentric rings of relationships spreading out from the alliance. Institutes will need to plan how to inform and engage other networks and organizations in the various activities of the alliance.
- c. *Funding the costs of alliance management:* A common factor in the failure of alliances is the lack of funding available to actually manage the relationship. Institutes will need to determine what the realistic costs are for staff time and communications necessary to ensure that the relationship does in fact lead to real added value and better outcomes. And they will need to determine how to make the case for donor support for these costs.
- d. *Financial planning and management:* The institutes will need to consider how to manage the funds that are raised to support the alliance. Options may include:
 - i. Each institute raises and manages its own funds to participate in the alliance.
 - ii. One institute raises funds from several donors and distributes resources to the other institutes in the alliance.
 - iii. Each institute raises funds but combines those funds in a common trust fund with trustees drawn from each institute.

Some thoughts on each option follow.

- i. If each organization raises and manages its own funds, then some consideration should be given to a financial reporting framework that aggregates the funds raised and spent by each institute in order to demonstrate the overall financial value of the collaboration.

- ii. Common agreement on how the funds will be distributed will need to be secured. Openness on daily rates and overheads will be necessary in order to understand any apparent inequities in amounts distributed to individual alliance members.
 - iii. As above, one of the challenges for a common trust fund will be recognizing that each organization has its own daily rates and overheads, and mechanisms for tracking time to projects. If donors are investing in a central fund, will they expect to see comparable fees and overheads paid out to each organization?
 - iv. Regardless of which option is adopted, it would be highly beneficial to negotiate with all the donors a common reporting format and schedule to reduce the transactional costs of multiple formats required by different donors.
 - v. Also, some thought should be given to how to show the in-kind contributions of each organization.
- e. *Developing a common communications strategy:* Some consideration should be given to having the communications staff of each institute work together to identify audiences, messages, vehicles and tactics for alliance work. Branding issues need to be agreed upon. Joint publishing protocols need to be reviewed. Opportunities for sharing media contacts and so forth should be explored.

5. Implement a monitoring framework to assess alliance performance

In order to determine whether the partners in the alliance are learning what they need to learn to function as an alliance, they will need to monitor performance on two key points:

- a. *Effectiveness of the pilot venture:* Is this alliance really leading to new knowledge and greater impact? An outcome map with progress markers should be established, that will allow the institutes to demonstrate whether and how the objectives of the alliance are being achieved.
- b. *Efficiency of the pilot venture:* Are the management issues being addressed? Each institute should develop a few measures to evaluate its own performance, as well as what they might expect from the other parties. These metrics can then be integrated into a shared alliance scorecard that all institutes can use to monitor the pilot alliance's performance.²

IISD's Knowledge Communications program works at the intersection of communications, networks and sustainable development knowledge. Research and communications go hand in hand; IISD can make a difference in the world by sharing what we know—and what others know—about sustainability.

² Sammer, J. Strategic Alliances: How to manage, how to measure. Business Finance, March 2004.