CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Strategic Partnerships

APPLYING A SIX-STEP PROCESS

William J. Gole

What is the issue?
While strategic partnerships have grown in popularity in recent years, they often do not meet their intended objectives.

Why is it important?
Without proper planning and disciplined implementation, the partnering organizations are likely to experience impaired enterprise and shareholder value.

What can be done?
A properly structured approach enables organizations to efficiently and effectively plan and implement strategic partnerships, significantly increasing the probability of reaching their investment objectives.

MANAGEMENT ACCOUNTING GUIDELINE GUIDELINE

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Introduction

Historically, companies have improved their businesses organically (e.g., through internal investment or acquisition). However, strategic partnerships have become an increasingly attractive alternative to traditional investment options. Strategic partnerships, sometimes called strategic alliances,[1] allow independent organizations to share certain resources and capabilities in pursuit of mutual or complementary goals. The Boston Consulting Group estimated that more than 2,000 strategic partnerships are launched worldwide each year[2]. Subsequently, a Partner Alliances study estimated that alliances accounted for approximately 26 percent of Fortune 1000 companies' revenue[3]. Strategic partnerships have become so popular because, in today's dynamic environment, companies frequently struggle to unilaterally deal with the full range of opportunities and threats they encounter. These arrangements, when properly conceived and appropriately implemented, are powerful enablers of growth and profitability.

What is RAISE and How does it Apply to Strategic Partnerships?

In the current global economy, the business environment is always changing. Some changes are so dramatic that everybody notices them but others may slowly creep up over the years before they can no longer be ignored.

Fortunately, strategic partnerships are one such tactic (in an arsenal of many) that an organization may employ to address how it will respond to these ever-evolving business challenges. Strategic partnerships can also ensure an organization focuses on what matters most (versus reactively responding to "fires" or "crises") — its customers or core stakeholders — in an effort to respond to external market forces and focus an organization's efforts.

A useful ideology for showcasing the importance of strategic partnerships is CPA Canada's RAISE philosophy (where Resilient + Adaptive + Innovative = Sustainable Enterprises). The RAISE philosophy can help guide CPAs and organizations (or enterprises) towards a unique strategy that provides an ongoing sustainable edge. The key drivers are explored next.

Organizations today must demonstrate their **resilience** in the face of constant turmoil and disruption. They need to respond quickly to these constant and unexpected external changes while at the same time sustaining regular business operations. Strategic partnerships refocuses an organization's efforts back to what is important as these crises arise and enables organizations to isolate such problems proactively so that strategic focus and awareness are maintained.

Organizations more than ever need to be **adaptive** in their ability to adjust to these ongoing market shifts in the competitive landscape. Given this changed environment, they need to be nimble and flexible enough to "proactively" respond to any and all competitive or market changes. Strategic partnerships employs methods to adapt.

1 The terms strategic partnership, partnership, strategic alliance, and alliance are used interchangeably throughout this guideline.

2 Kees Cools and Alexander Roos, *The Role of Alliances in Corporate Strategy* (Boston, MA: Boston Consulting Group, 2005), p. 2.

3 Kale P., Singh H., and Bell J., *The Network Challenge* (London, England: Pearson Press, 2009).

Opportunities to **innovate** are typically a primary contributor to organizational success and longevity. However, it is one area that many fail to adequately explore or execute upon. Strategic partnerships is one such vehicle that can be leveraged to communicate the importance of innovation in achieve its strategic and operational objectives.

Embracing such drivers as key components of an organization's strategic and operational plans and decisions, ensures an organization's (or enterprise's) **sustainable** competitive edge. Combining the resilient, adaptive and innovative drivers of success results in a unique and robust strategy for adopting and implementing strategic partnerships as explored throughout the course of this guideline.

Types of Strategic Partnerships

Strategic Partnerships fall into three categories: (1) Contractual arrangements, (2) Equity investments, and (3) Joint ventures, as discussed next.

1. **Contractual arrangements** involve non-equity alliances such as distribution agreements, outsourcing relationships, franchise or licensing agreements, and R&D partnerships. They also include symbiotic relationships, where organizations that serve seemingly unrelated markets collaborate. For example, many airlines collaborate with credit card companies and offer frequent flyer rewards.
2. **Equity investments** involve one company taking a minority ownership interest in a partner company. These investments enable the investor company to gain entry and learn about attractive potential markets. They are also vehicles for gaining access to promising technologies or products that have yet to be market-proven (e.g., pharmaceutical companies frequently take minority positions in biotech companies with new drug therapies that have a high probability of regulatory approval).
3. **Joint ventures** involve two or more independent companies forming a third entity. Each company contributes resources and shares control (and profits or losses) of the venture. The venture can exist for a short-term project, such as a major construction job, or for a long-term business relationship, a common strategy for companies that want to enter foreign markets. Such companies typically partner with domestic companies that already have a presence in the target market.

Influencing Factors

Over the last two decades, the pace of technological change has accelerated, shortening product life cycles. Globalization has intensified competition and corporations face unrelenting pressure to produce stockholder returns. As a result, organizations have become more innovative in their investment strategies and strategic partnerships have increasingly supplemented and supplanted traditional investment growth and profitability vehicles such as internal development and acquisition. Partnership arrangements enable organizations to enter new markets, outsource non-core activities, expedite development of new technologies, overcome deficiencies in expertise, gain economies of scale, and manage risk more effectively.

When Strategic Partnerships are Optimal

There are no firm rules for assessing the appropriateness of specific investment options; however, certain types of investments do lend themselves to the use of strategic partnerships. These include those that are high-risk, those that provide access to reciprocal capabilities, those that bring together symbiotic capabilities, and those that enable activity outsourcing.

Typical high-risk initiatives include expanding into new markets with significant entry barriers or acquiring promising but unproven technologies. For example, transnational auto companies have formed partnerships with Chinese organizations to gain entry to the large, but unfamiliar, Chinese market. Similarly, strategic partnerships at technology-driven companies have been used to drive growth through testing and evaluating a wide variety of nascent technologies.[4]

Reciprocal capability initiatives occur between organizations that have distinct complementary strengths. An organization that has R&D and product development strengths but underdeveloped sales and marketing operations may partner with an organization that has a gap in its product portfolio but has robust distribution capabilities.

Symbiotic relationships, which have become increasingly common, involve companies in unrelated markets cooperating for mutual benefit. For example, a supermarket chain may partner with a gas station chain, enabling supermarket customers to accumulate points that can be used to reduce the price of gas at the pump, while increasing sales volume for the gas station.

Outsourcing arrangements span a wide range of activities, from the assignment of manufacturing (e.g., Apple and Nike), to responsibility for customer service (e.g., many large financial institutions and technology companies), to the management of more mundane functions, such as product fulfillment and payroll processing. These arrangements enable the “outsourcer” to focus on its own core capabilities and enable its partner to take advantage of scale.

Risk, Opportunity and Strategic Partnerships

Risk-taking is clearly vital to business success. Overly risk-averse companies (or those that mismanage risk) will miss market opportunities, suffer long-term decline, and be outpaced by organizations that manage risk and seize investment opportunities to improve productivity, leverage innovation, and expand market position.

Alliances have enabled their principals to better manage investment risk. They reduce the investment cost of individual initiatives by leveraging a partner’s existing capabilities or market position. By virtue of this reduced cost and access to expertise, alliances enable organizations to engage in a greater array of investment initiatives simultaneously.

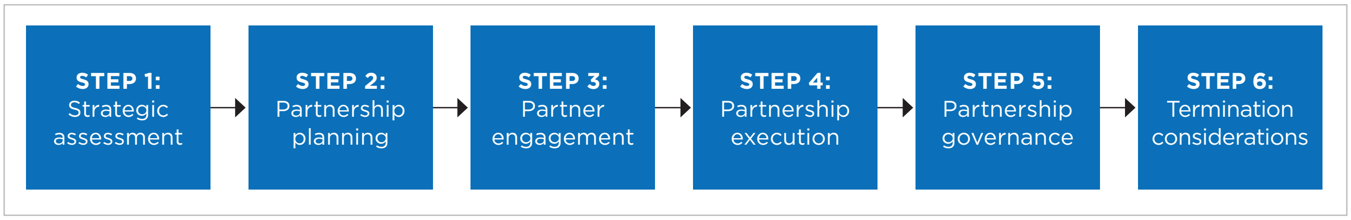
Alliances can, however, carry operational and relationship risk if they are not properly conceived and implemented. Strategic partnerships overall have a poor track record: as many as 50 percent of alliances fail to meet their objectives and break down prematurely. Poor planning and poor implementation, partner incompatibility, and inattentive management often result in material financial damage to partnering organizations. A structured approach to strategic assessment and partnership formation and management can significantly mitigate these risks. The remainder of this guideline describes a process that addresses these risks and is designed to optimize the potential for alliance success.

4 Steve Steinhilber, *Strategic Alliances* (Boston, MA: Harvard Business School Publishing, 2008), p. 5.

An Overview of the Strategic Partnering Process

The most progressive organizations in the strategic alliance arena develop and adapt best practices through trial and error. Planning, preparation, and disciplined execution has enabled such organizations to become accomplished managers of strategic partnerships. The six-step strategic partnering process illustrated below (Figure 1) (and described in detail in the discussion that follows) demonstrates a successful platform.

FIGURE 1: STRATEGIC PARTNERING PROCESS OVERVIEW



The strategic partnering process begins with a company examining its strategic objectives and determining if a partnership is the best investment vehicle to achieve any of these objectives. When the company determines a partnership is appropriate, it develops a plan that outlines the most desirable form of the alliance, the alliance's goals, and a profile of prospective partners. It then engages prospective partners and ultimately executes an agreement with one that is suitable. Once the alliance is launched, the companies implement governance, monitoring, and evaluation mechanisms. Finally, since most alliances have a finite life, it is important for the partners to articulate provisions for the orderly unwinding of the relationship.

STEP 1 Strategic Assessment

This step ensures the prospective alliance is appropriate within the context of the organization's strategic planning process. The organization's investment strategy should operate with purposeful planning, not in reaction to an opportunity that arises in the moment. Initiating an alliance opportunistically or reactively, rather than strategically, significantly increases the potential for failure because it may not fit with the organization's overarching goals and objectives. This does not mean that organizations should automatically dismiss unanticipated partnership opportunities; it simply means organizations should evaluate such opportunities in the context of strategic plans. To accomplish this, organizations must reaffirm or modify their long-term goals and assess market dynamics. As Figure 2 illustrates, organizations should choose investments based on a structured process that considers threats, opportunities, and the company's financial and managerial resources.

FIGURE 2: CHOOSING INVESTMENT TYPE

Businesses encounter multiple threats and opportunities and respond by identifying a number of investment objectives (e.g., market expansion, cost reduction, or product innovation) and proposed investment types (e.g., organic development, acquisition, or strategic partnership). The resulting strategic plan generally involves high-level financial projections for such initiatives as well as a more rigorous financial analysis.

STEP 2 Partnership Planning

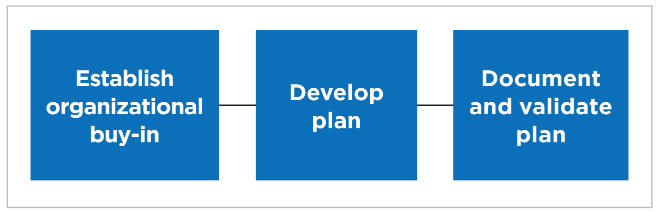
When a decision to pursue a strategic partnership arises from the previous assessment step, the organization initiates the planning step depicted in Figure 3.

Establish Organizational Buy-in

When investment decisions are made, there are often members of the organization who would have preferred (and perhaps benefited) if the organization adopted a different investment approach. Therefore, it is important that executive management, particularly the CEO, establish broad-based organizational buy-in to curb employee disappointment or resistance early in the process. Buy-in can be accomplished by organizing a senior staff meeting, led by the CEO, with the following objectives:

- Outline the rationale for the strategic alliance.
- Confirm that the initiative has the CEO's unqualified support.
- Clarify that support across the entire organization is expected.

FIGURE 3: PARTNERSHIP PLANNING



This meeting should also identify those who will lead the planning and implementation effort (the alliance team). While the specifics of each prospective partnership dictate who will participate on the alliance team, the core members of the team generally include:

- A senior business executive (frequently, the initiative sponsor or champion) who will be responsible for partnership management or liaising.
- A senior financial executive who will provide analytical input throughout the partnering process.
- Senior managers from areas impacted by the alliance (e.g., business development, operations, and technology).
- Internal or external legal support.

Develop Plan

Plan development begins with identifying the optimal form of the arrangement (e.g., a contractual agreement, an equity investment, or a joint venture). With the preferred form of the relationship determined, the team considers the most appropriate partner(s). Partner screening can be accomplished by creating an assessment grid that lists the critical characteristics of the ideal candidate using criteria such as strategic fit, market strength, capability/resource fit, breadth and depth of products or services, cultural compatibility, and reputation for integrity. The alliance team chooses the best candidate(s) based on the assessment grid.

Document and Validate Plan

Once the alliance team agrees on the foundational elements of the partnership it must then draft he approval document, supported by more refined financial projections than those in the strategic plan. The objectives of the approval document are twofold: to present a well-considered case for the alliance in the context of the company's strategy and to obtain final approval of decision makers (i.e., the CEO and possibly the board). Figure 4 presents an example of an approval document.

Often, organizations enter the planning step of the process with a predetermined partner in mind. This is typical when the target company possesses unique assets, such as proprietary technology or patented products or processes. While these situations can truncate the planning process, they do not obviate the need to validate the choice of the partner because a singular focus on the attractiveness of a prospective partner can blind the organization to other shortcomings or incompatibilities.

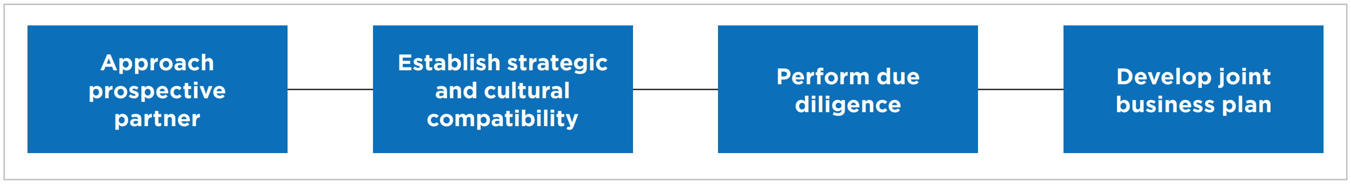
FIGURE 4: EXAMPLE OF AN APPROVAL DOCUMENT

EXAMPLE OF AN APPROVAL DOCUMENT	
PURPOSE	Request approval to initiate non-binding discussions with potential partners
STRATEGIC RATIONALE	Linkage to growth strategy
	Desirability of market • size, growth
	Potential for cost reduction • infrastructure improvement • process improvement
	Desirability of target partner • strategic fit, market strength, capability/resource fit, breadth and depth of products or services, cultural compatibility, and reputation for integrity
	Desirability of alliance • relative merits of partnership versus building or buying • type of partnership arrangement /form
FINANCIAL IMPACT	Financial model • multi-year projections of revenue, income, and cash flow Financial metrics • supporting the investment (comparison to alternatives) • supporting return on investment (preliminary financial forecast model) • milestones to evaluate progress
	Value drivers • key assumptions about structure, core business growth, revenue synergy, cost synergy
TRANSACTION CONSIDERATIONS	Negotiation process, timeline, next steps
	Partner approach strategy
	Partnership management recommendation
	Preliminary risk assessment and key issues of focus for due diligence Partnership termination considerations

STEP 3 Partner Engagement

Once decision makers approve the partnership plan, the organization then approaches the prospective partner. A positive response to the invitation necessitates substantive discussions regarding the compatibility of the two companies' strategic objectives, cultures, and management approaches. Successful discussions naturally evolve to the articulation of partnership synergies, a plan to exploit them, and a preliminary agreement on partnership management. This step is illustrated in Figure 5 and discussed in detail in the sections that follow.

FIGURE 5: PARTNER ENGAGEMENT



Approach Prospective Partner

The internal planning process will have provided the basis for a plan that outlines the rationale for, and the mutual benefits of, partnering. It is essential that the individual delivering the invitation to collaborate has a high profile within the initiating organization and is able to clearly articulate the opportunity and its mutual benefits. Frequently, this individual is a senior executive in the business development or strategic planning function or the CFO or CEO.

After a series of exchanges and an agreement in principle, partners usually hold a follow-up meeting to discuss the proposition in greater detail.

Establish Strategic and Cultural Compatibility

Ideally, the follow-up meeting consists of high-level managers from each organization, members of the alliance team, and peers from the partner company. Prudence dictates that this meeting be preceded by the execution of reciprocal non-disclosure agreements (NDAs) that prohibit either partner's disclosure of any proprietary information to third parties. It may also prohibit each partner from hiring or soliciting the other partner's employees. The meeting's objective should be to establish agreement on broad concepts (e.g., the form of the alliance) and to identify any barriers to partnering. At this stage, discussions are guided by questions such as:

- Who is the target market?
- What is the opportunity and what is its scope?
- What are the potential synergies?
- What are the respective organizational philosophies and do they appear to be compatible?
- What form might the partner relationship take?
- Is the strategic intent of the partners compatible?
- Are there any downsides (risks) to collaboration?

If the discussions yield positive results, the initiating organization and the target partner should initiate a due diligence effort prior to requesting approval from their respective CEO/management team to develop a joint business plan.

Perform Due Diligence

The type of partnership will dictate the nature and extent of due diligence. For example, while symbiotic relationships generally require less due diligence, other contractual arrangements like distribution agreements or R&D partnerships usually require more extensive reviews. Minority investments and joint ventures may require the type of highly-involved diligence procedures performed in an acquisition transaction.

Until this point in the process, the initiating organization's view of the partnership has been based largely on representations from the prospective partner. Due diligence acts as an additional voice of healthy skepticism and counterbalances the potentially unqualified enthusiasm of the partnership's champions. Much of the information necessary to perform due diligence is generally available in public records. However, potential partners should be willing to provide access to relevant business and financial information before an alliance is consummated. One partner's unwillingness to cooperate is a red flag and the other partner should factor this into its willingness to proceed.

In general terms, the initiating organization will want to accomplish the following in its review:

- Confirm the prospective partner's financial strength and the strength of its market position and product portfolio.
- Obtain a better understanding of the company's culture and business philosophy.
- Assess the strength, integrity, and trustworthiness of the organization's management.
- Confirm assumptions regarding the quality of the complementary resources or capabilities possessed by the prospective partner.

Develop Joint Business Plan

Before proceeding with a detailed business plan, it is generally desirable to execute a letter of intent (LOI), a non-binding agreement that will set out broad parameters of the potential alliance. The LOI should also include an exclusivity provision that would be binding for a limited period to ensure the good faith efforts of both parties.

The joint business plan should generally contain a discussion and analysis of the following:

- objectives and strategy
- markets served
- products/services provided by each partner
- value proposition or need filled by the initiative
- resources provided
- support functions and respective roles
- definition of success and metrics and milestones to measure progress
- financial model projecting anticipated results

The joint business plan should also articulate the preliminary view of issues such as control, dispute resolution, termination, and ownership of assets (e.g., intellectual property) developed or used during the life of the partnership. These issues cannot be resolved at this point and are usually fleshed out and finalized during negotiations in the partnership execution step. However, an initial discussion provides each organization with an understanding of the other's position on these key issues.

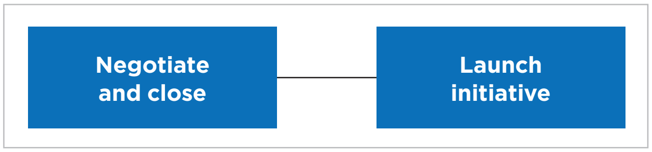
The natural point of departure for the development of the joint plan is the plan document developed by the alliance team in the partnership planning step. This joint session should enable the group to confirm, challenge, or modify initial assumptions and projections and set the stage for negotiations. Because it is impossible to write contracts that cover every eventuality, participants in these meetings should begin to build trust.

STEP 4 Partnership Execution

The partnership execution step consists of negotiating the terms of the agreement and launching the partnership, as depicted in Figure 6.

Negotiate and Close

FIGURE 6: PARTNERSHIP EXECUTION



A small negotiating team (preferably three to five individuals) should consist of the alliance sponsor, a financial executive, and the company's legal representative. The joint business plan, which would have addressed many resource and control issues, provides a valuable framework for these negotiations. While the ability to leverage the plan positively impacts the length of the negotiating process, ultimately the complexity of the relationship is the dominant variable determining how long it takes to close the deal. That said, imposing hard deadlines ensures that negotiations do not drag on and jeopardize the deal. As a guideline, negotiations should take no longer than 10 percent of the planned life span of the partner agreement.

The overriding objective of a partnership is to foster cooperation and collaboration, which contrasts the adversarial nature of most other transaction negotiations. More importantly, these negotiations represent the first substantive effort to forge common goals and build mutual trust. This is not to say that negotiators should ignore the interests of their organization. Negotiators have the burden of optimizing rather than maximizing contract terms, which is the first step in forging a win-win association.

Since partnerships are subject to the various strategy and personnel changes of each party, it is virtually impossible to craft a comprehensive agreement covering all contingencies. As such, some have referred to alliance agreements as "incomplete contracts."[5] This concept, the idea that unknowable future developments cannot be specified and agreed to upfront, should be factored into the expectations of the negotiators. It also underlines the importance of trust-building throughout the course discussions and negotiations.

The final contract terms will vary considerably based on the specifics of the initiative. Contractual alliances are generally straightforward: they do not involve the acquisition of ownership rights or the creation of a new entity, which means they are less burdened by tax, accounting, liability, and regulation considerations. Regardless of the type of initiative, contracts typically cover:

- scope of the agreement
- ownership rights of assets used and developed in the relationship
- which parties have control and decision-making authority

5 James D. Bradford, Benjamin Gomes-Casseres, and Michael S. Robinson, *Mastering Alliance Strategy* (San Francisco, CA: John Wiley & Sons, 2003), p. 12.

- which assets/resources are to be contributed to the venture
- provision for dispute resolution
- provision for partnership termination

Negotiators should be particularly attentive to dispute resolution and termination and include explicit provisions for both in the contract. Psychologically, dispute resolution and termination may be at odds with the immediate excitement surrounding the deal as well as the desire to build trust, but failing to address these issues up front will likely exact an inordinate cost if/when they materialize.

Launch Initiative

There are two aspects to the initiative's launch: announcement and implementation. The announcement should be treated as a significant event, commensurate with its size and intended strategic impact. For example, it should receive the same level of attention that an acquisition of comparable size would receive.

Messaging should be directed at three constituencies:

1. the initiating organization's management and employees
2. the partnering organization's management and employees
3. external stakeholders

For smaller transactions, it may be sufficient to reach external constituencies with a press release, announcements in trade media, and communication with customers. Deals of greater size and impact are likely to be of interest to the broader investment community and may warrant a more elaborate roll-out, including personal contact with industry analysts.

The size of the initiative will also impact the implementation aspect of the launch. Very large initiatives, like joint ventures, may require a launch manager and the development of a detailed first 100-day plan to ensure that momentum is established and maintained. The launch of smaller initiatives, such as distribution agreements, may have a more modest scope focused on product training and product positioning. Regardless of the size of the initiative, the early stages are critical to its success. Frequently, initiatives lose momentum after the excitement of the deal has dissipated and the hard work of implementation has begun. Accordingly, pre-launch planning and a sustained implementation effort are key factors in establishing and maintaining the initiative's momentum. Although a strong launch does not guarantee success, a lackluster launch can be a significant contributor to failure.

STEP 5 Partnership Governance

As with most aspects of strategic partnerships, the extent of governance structures and the degree of monitoring depends on the nature of the relationship. Ironically, basic governance structures for larger strategic partnerships (e.g., joint ventures and minority ownerships) usually take the form of a board or a corporate management structure. In contrast, non-equity or contractual partnerships lack a formal alliance organization and must rely on cross-partner committees to implement, manage, and monitor the initiative. As a result, contractual arrangements can be particularly vulnerable to poor governance, a major cause of partnership underperformance and failure.

Structural Considerations

While equity-based partnerships have basic governing structures in place, they are often supplemented by formal and informal mechanisms similar to those used in non-equity relationships, as described below.

Contractual alliances are actually virtual organizations and their governance structures must be built from the bottom up. Informal models may suffice for relatively simple relationships. For more substantial relationships, the degree of formality depends on the value of the alliance, the extent of partner interaction, and the potential for expansion. Partnerships involving one of the company's "crown jewels" warrant mechanisms to ensure the relevant asset or capability is used optimally.

Similarly, for initiatives with significant cross-company interaction, the company should assign individuals to be responsible for ensuring the collaboration is orderly and effective. If there is significant potential the partner- ship could expand, the company should put a structure in place to maximize that potential and facilitate the quick expansion of the initiative's scope.

When a partnership warrants a robust governance structure, its composition is determined by the nature of the relationship and the management preferences of the partners. There is no standard template for governance structure design. However, the basic "backbone" of most structures consists of:

- A joint steering committee with primary responsibility for oversight and strategic decision making and for liaising with partner organization management teams.
- An alliance leader with primary responsibility for managing the initiative and for reporting on performance to the steering committee.
- An operating committee with responsibility for day-to-day operations.

Enabling Principles

Structure is a necessary, but not sufficient, element of governance. Structure provides the framework for decision making, performance assessment, and operational efficiency and effectiveness. However, it must be supported by sound organizational principles, namely:

- The clear definition of roles and responsibilities for those populating governance structures.
- The appropriate empowerment of alliance management (i.e., the alliance's range of decision-making authority should be commensurate with its responsibility).
- The establishing of mechanisms for regular and frequent communication among partners to ensure that the partnership can adjust to changing conditions.

STEP 6 Termination Considerations

Strategic partnerships are rarely an "end game"; they are usually bridges to the future. They are frequently fragile arrangements, so it is not surprising that termination of partnerships is extremely common. However, termination in and of itself is not a negative outcome. Contractual arrangements may run their natural course, minority investments may transition to acquisition, and joint ventures may reach pre-established goals. What determines the success or failure of the initiative is whether the initiative accomplishes its objectives.

Initiative Failure

The vast majority of the partnerships that fail to meet their objectives do so as a result of poor planning, bad partner selection, poor implementation, or inattentive governance. Companies can significantly mitigate these factors with an approach that focuses on planning, rigorous analysis, and disciplined implementation. However, many partnerships also fail for reasons beyond the control of the principals, which underlines the importance of addressing termination up front in the governing partnership agreement. Markets move, personnel turns over, and strategies shift. When it is clear that an initiative's objectives have become unattainable, the partners should unwind the relationship as soon as reasonably possible. Experience has shown that the longer it takes to terminate a partnership, the greater the potential for squandered resources and economic damage[6].

Rapid and Orderly Dissolution

Generally, the key issues in dissolution are ownership and asset valuation, particularly intellectual property developed and used in the partnership. In the case of joint ventures the issue of "entity" valuation and ownership is usually of paramount importance. If these issues are only addressed upon termination, it is likely to cause a protracted, messy, and costly dissolution process.

Lessons Learned

Learning is a key element of the partnering process. The basic rationale for partnering is that the partner has an asset or capability that the initiating organization does not. As a result, during the partnering experience there is significant knowledge transfer between the parties. Some of that knowledge may stay with an organization after the termination of a partnership, but unless the company has a prescribed practice to incorporate this knowledge into its institutional memory, there is a strong possibility that much of what has been learned will dissipate over time. Therefore, the organization should ensure it documents intelligence acquired through partnering. This is best achieved by convening a termination meeting (i.e., with key managers involved in the partnership's planning and implementation) and ensuring that findings are archived and shared so the organization can improve its partnering process over time.

In Summary

Strategic partnerships, sometimes called strategic alliances, are collaborations between independent organizations in the pursuit of mutual or complementary objectives. These partnerships can take several forms and generally fall into one of three general categories: (1) contractual arrangements, (2) equity investments, and (3) joint ventures. A properly structured approach enables organizations to efficiently and effectively plan and implement strategic partnerships, significantly increasing the probability of reaching their investment objectives.

Some organizations are primed and ready for the opportunity to undertake a strategic partnership. Such an approach has applications in all sectors (i.e., private, public, not-for-profit, and government).

Professional accountants in business by their very nature can leverage their know-how and expertise in guiding organizations through the process of strategic alliances to ultimately yield optimal (and sustained) returns on their investment. This facilitates the ability of partnership organizations to maintain

6 James D. Bradford, Benjamin Gomes-Casseres, and Michael S. Robinson, *Mastering Alliance Strategy* (San Francisco, CA: John Wiley & Sons, 2003), p. 31.

and sustain itself as a resilient, adaptive, innovative and sustainable enterprise (per the RAISE philosophy) in the competitive landscape. Ultimately these drivers will aid both professional accountants and organizations in ensuring successful alliances are formed while adequately equipping themselves to engage in the Canadian ideal of good business.

Additional Sources of Information

The terms strategic partnership, partnership, strategic alliance, and alliance are used interchangeably throughout this guideline.

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For additional information or for general inquiries, please contact us at **mags@cpacanada.ca**.