Executive EDGE

ALLIANCE PITFALLS

Companies seeking to strengthen themselves yet retain their independence are increasingly forging strategic alliances with other companies. The number of such corporate agreements has grown more than 25 percent annually in the past five years. But alliances guarantee neither strength nor independence. Indeed, nearly 80 percent of joint ventures—a popular alliance structure—end in the sale of one of the firms.

Alliances tend to come in one of the following types:

• Two strong firms are direct competitors. Tensions soon develop because of the competition, resulting in dissolution of the alliance, an outright merger, or the purchase of one partner by the other.

• Two weak companies hope unity will lend them strength against competitors. Instead, both grow even weaker, sometimes to the point where they are acquired by a third firm.

• A strong firm intends to acquire a weak one, but first joins it in an alliance. These arrangements, which might be called "disguised sales," tend to be short-lived.

• A weak firm hopes to bolster itself by allying with a strong partner. However, the weak partner grows even weaker and eventually finds itself in an unplanned divestiture.

• Two strong firms ally but eventually find competitive tensions developing between them. Again, one acquires the other—but, in this case, the firms' basic equality allows them to make a deal with which everyone is happy. Such alliances might be called "evolutions to a sale."

• Two strong but noncompeting firms form an arrangement in which they *complement* each other. An example is the alliance formed by Pepsico and Lipton to jointly sell iced beverages. In these relationships, often long-lasting, both partners prosper.

Chris McAllister

Of the six alliance types, only the last two can be described as beneficial for both parties. And only the last type of arrangement actually continues as an *alliance*, rather than dissolving or turning into a merger or acquisition.

From Joel Bleeke and David Ernst, "Is Your Strategic Alliance Really a Sale?" Harvard Business Review, *January-February 1995, pp. 97-105.*

TRUST: TODAY'S WORKPLACE CHALLENGE

To remain in the work force, today's workers must strive for self-reliance, maintaining marketable, up-to-date skills that can be transferred among companies and even industries. In turn, to remain competitive, corporations must become learning organizations and facilitate employees' training. The insecurities both workers and corporations are feeling as a result of these changes have made maintaining an environment of trust a challenge in today's workplace.

A company committed to retaining employees with cutting-edge skills must create an atmosphere of trust and openness. "It's becoming increasingly clear that creative work only happens when there is trust," says Eric E. Vogt, president of Cambridge, MA–based MicroMentor Inc.

A company can maintain trust by honestly telling employees what is expected of them and by informing them of developments that could affect their employment status. An organization must also empower its workers—allow employees to experiment even if such risks do not pay off. "You can define trust as permission to make mistakes," asserts Ron Seide, marketing director for Kingston Technology Corp., a maker of hardware upgrades for personal computers.

Kingston managers say trust is crucial to the bottom line. The company's corporate philosophy states: "Kingston's founders believe that by creating an environment free of politics and mistrust, employees will enjoy their jobs more and reach their individual potentials." The founders' reasoning is that in such an environment employees will strive to produce high-quality products.

Fountain Valley, CA–based Kingston follows a "family-style" management philosophy. "We will treat you extremely well in terms of respect, in terms of financial remuneration, in terms of benefits. In exchange for that, we expect a very high level of productivity, efficiency, and smarts," says Seide. So far, this "family-style" management philosophy has proven successful: Fewer than 10 of its 350 employees have quit since the company was founded in 1987.

From Anne Stuart, "The Adaptable Workforce," CIO, March 1, 1995, pp. 57-66.