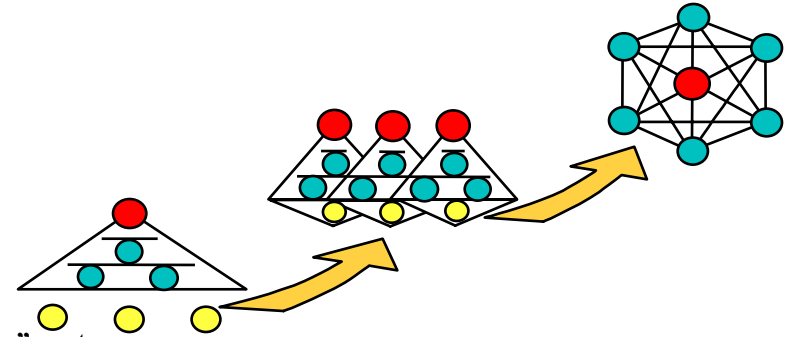




-- Alliance Development Stages --



■ Stage I: Opportunistic Alliances

- Alliances May or May not be strategic
- Single Champion with a vision and each alliance is a “Stand Alone” venture
- Alliances are not part of the Corporation’s “Standard Operating Procedure”
- Alliances are not tightly connected to some other major strategic effort in the company, and not as a fully acceptable growth form -- the “least desirable choice”

■ Stage II: Alliances Become Strategic:

- Separate Corporate Efforts in Supply, Production, Marketing/Sales, and International resulting in alliances (but these efforts are not tightly linked as part of Value Chain Reengineering)
- Strategic View toward the Alliances, and alliances are seen as a viable growth alternative, (albeit maybe a less desirable one in some people’s eyes)
- Effort begin to adopt “best practices” in alliance formation and management around the company to create a corporate wide architecture and become the “partner of choice.”

■ Stage III. Alliances are Foundation of a Value Network

- Systematic Reengineering of the value chain
- Alliances are seen as a Means to a Larger Competitive Advantage
- Close Integration of Supply, Production, Marketing, Sales, Service, Information, International, Breakthrough Generation, etc.
- Wide-Scale use of full range of Alliance Capability Building means to leverage Competitive Advantage



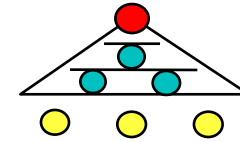


Stage I – Opportunistic Stage

Alliances fall into several different patterns at Stage 1:

1. Alliances are Fragmented throughout the organization

- There are separate independent efforts throughout the company
- These efforts are oriented around single individuals with a vision
- There is no large scale effort to position alliances strategically
- Support for these efforts comes from the middle ranks



2. Alliances are Tactical Window Dressing

- In an effort to make a customer, an indirect sales partner, or a supplier “feel like they are important”, the relationship will be branded an “alliance” although it does not meet the real criteria of an alliance
- The relationship is not strategic, is not win-win, and does not share risk and reward

3. Alliances are Dysfunctional

- Two different approaches are used toward the alliance simultaneously:
 - One approach is collaborative and co-creative, usually started by a champion with a vision
 - While at the same time the lawyers and contract negotiators use highly adversarial contractual approaches to “squeeze the vendor,” “protect against risk,” and “use tried and true tactics” to keep power positions stable

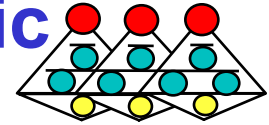
4. Alliances are the Option of Last Resort

- Faced the Fear of Loss of Control, but seeing no other way, the alliance is selected
- The designers of this type of alliance build in the strongest means of controlling the venture
- Buyout options and exit clauses underpin the motives for doing the alliance





Stage II – Alliances Become Strategic



At this Stage of Development, Alliances are seen as a critical component to the corporate Growth Strategy

1. Alliances are Strategic Vehicles

- Alliances are no longer an after-thought or an option of last resort
- Alliances are seen as an excellent strategic mechanism in the entire value chain, including: supply, outsourcing, R&D, logistics, marketing, sales, and service

2. Alliances are Engines of Innovation

- Innovation is driven externally through alliances
- Alliances are measured for their contribution to revenue and profit

3. Alliances are for Creating Competitive Advantage

- Company wants to become the “Partner of Choice” in its industry segment to propel itself into category leadership and to prevent competitors from gaining access to the best partners

4. Alliances need to be Led and Managed by Professionals

- Alliances are Lead by “C” level executive
- Training & Development programs are established to build Capability in the Alliance Teams
- Alliance Managers have a Professional Career Development path for advancement within the company

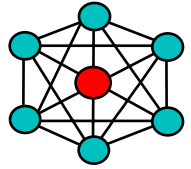
5. Company wants to become Partner of Choice

- Programs, Processes, and Best Practices underpin the application of alliances in the field
- Management Infrastructures are established to ensure the proper support of field efforts
- Business Development is linked into a Strategic Portfolio Management System to seek alliances that will ensure proper strategic coverage





Stage III – Alliances are the Foundation of a Value Network



Alliances are Pervasive as a part of the Corporation's Structure and Culture

- 1. Alliances are Internal & External**
 - **Internal: between Business Units & Functions**
 - **External: between Customers and Suppliers, and other outside connections**
- 2. Alliances are not just a structural option, but a Way of Thinking and Acting**
 - **Alliance thinking (Win-Win, Co-Creative Innovation, Synergy, Teamwork, etc) becomes ingrained in the corporate culture**
 - **Self-Centered, Ego-Centric, Self-Aggrandizing behaviors are not tolerated in the organization**
- 3. Competitively, inter-linking all parts of the system, from Customer to Supplier will enable:**
 - **Innovation to Flow**
 - **Speed to proliferate innovations, information to be accessible, and products/services to be deployed with rapidity and agility**
 - **Integration of products and functions**
 - **Teams form and reform when and as needed**
- 4. The Value Chain has been Re-Engineered**
 - **The issue of how value is created and how to generate increased competitive advantage has resulted in a complete rethinking of the value chain. As dysfunctional and transactional relationships are replaced by collaborative alliances, the value chain reconfigures into a value network**
 - **Alliances become the foundational structure of the value network**
 - **Companies that develop a proficiency in Value Networks become systems integrators**

