

STRATEGIC ALLIANCE

A Strategic Alliance is an agreement between two or more individuals or companies or businesses stating that the involved parties will act in a certain way in order to achieve a common goal. Strategic alliances usually make sense when the parties involved have complementary strengths and a common interest.

An Alliance means a co operation between groups that can produce a better result than that which could be gained by any party acting alone. As competitive markets are continually changing any alliance must be able to keep abreast of these changes. It can often be easier for two or more parties with different specialties to do this over an organisation acting on its own. The resources, capabilities and core areas of expertise of different organisations can be combined in the pursuit of a mutual interest.

There are many ways in which the alliance can be structured depending upon its purpose. Joint Venture Companies are often the vehicle where the parties are of comparative strengths or have comparative interests. However Non-equity or Equity Strategic Alliances can also be formed. The scenario will decide as to which structure would be most appropriate for a particular project.

The purpose of a Strategic Alliance is to gain a business advantage over one's competitors by the pooling of resources. This may allow partners access to markets, technologies, capital, expertise or intellectual property which would not otherwise be available by an organisation working alone. Often the use of other parties resources can result in rapid growth and quick and efficient expansion in ways that would not otherwise be available. A business that is able to save the expense of training specialist staff or purchasing operational resources or technologies can concentrate on its own core expertise and specialisation to the advantage of its partners.

Expanding into new geographical territories or areas of business, cost reduction, marketing, manufacturing or established supply chains are all possible motivations behind a strategic alliances. However before any alliance is entered into, all parties must be clear on certain issues which, if not clarified at the outset, could lead to possible future disputes. These include:

- Clearly defined aims and expectations of the alliance
- Clearly defined obligations that each party is prepared to offer
- Identified financial planning with regards to costs and profits
- Clearly defined operational plans
- Protection of Intellectual Property
- Compatibility of the parties and the cultures of their organisation

DMB Law has helped parties in both national and international strategic alliances and can advise and assist with all of your business needs. Call John on 01732 228808 or email on john@dmblaw.co.uk