INTRODUCTION
Every day, headlines across the country announce new partnerships between companies. In the current economic business cycle, strong companies are partnering with other strong companies where objectives are congruent, and each can bring value to the other. These partnerships come in the form of mergers, acquisitions, and strategic alliances. Strategic alliances are different in that both companies must be involved in making decisions and implementing the alliance because both have a vested interest going forward. Typically in strategic alliances, the parts of each business that overlap must be “cleaned up,” sold, or discontinued, and new linkages must be established between the companies. In the context of this article, strategic alliances entail the maintenance by each partnering company of its own management, identity, and ownership; and bringing mutual benefits to the table in terms of product, market, or other strategic advantages. In other words, this is a symbiotic relationship.

In today’s fast-paced business environment, where decisions are made quickly, strategic alliances are often put together and approved expeditiously. There are a number of valid business reasons for this, including confidentiality, timeliness, and competitive advantage. Unfortu-

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Strategic alliances are on the increase, but IT is seldom brought into the picture until after the deal is made. Therefore, IT must often play catch-up in order to support the new relationship. To avoid the resulting technology-related issues, IT should be involved in the alliances from the start of negotiations. IT can avoid other pitfalls in an alliance by building a positive relationship with the business areas, spending time with counterparts in the other company, keeping up to date with business changes, paying attention to cultural issues, and providing a point person to direct the IT effort.
nately, however, information technology (IT) is traditionally brought in only after the deal is signed, and must then catch up, learning enough about the deal and the line of business to support the transition.

Inevitably, while IT is trying to get up to speed, the alliance is progressing into initial production mode. Playing catch-up may create technology-related issues during the alliance, whereby organizations implement short-term tactical solutions that require rework and increased costs over the long term. A better solution is to involve IT from the start of negotiations, so it can start adding value by helping to lay out the transition and establish new linkages.

**ROLE OF IT IN STRATEGIC ALLIANCES**

Strategic alliances are initiated in a number of ways, but those implementing the alliance (that is, IT) seldom play a part in the initial deal-making process. Too often, the business areas negotiate and sign the deal, with little or no IT involvement. Alternatively, the business areas might seek IT involvement in a fragmented manner based on specific questions.

Admittedly, a decentralized IT organization makes it difficult to pinpoint the correct person to contact on a particular issue. Also, while organizations might discuss the relevant requirements of the strategic alliance with those specifically involved, such as application development support, they often leave important linkages out of the discussion, such as telecommunications, data sharing, or call-routing topics.

Even if the organization has centralized IT support, the business area might still only feed parts of the strategy to IT, instead of taking the time to fully engage IT in the potential alliance discussions. Additionally, because IT is critical to existing business operations, the individual business units might be reluctant to use IT resources for such exploratory activities. For their part, IT organizations are often reluctant to make time available for such discussions, unless they are confident that concrete activities will result.

Of course, if an organization is creating a new business unit from an alliance, the business processes should be set up first, and the supporting IT infrastructure developed secondarily. However, these realities lead to a fragmented approach in setting up an alliance, and produce inefficiencies and weak links in the union between the companies.

**The Issues**

There are many problems when IT is not involved from the outset of negotiations through finalization. When IT does not understand the entire strategy, it cannot provide the most effective, right-sized solutions. For example, if the alliance is already proven, and needs to be set for a long-term relationship, IT should invest considerable time so things are done
correctly from the beginning. However, if the alliance is merely to be tested before the requirements are known, IT should invest less time, and the technology processes should be set up more quickly.

On the one hand, the two IT departments involved in the alliance will have technological differences. Even if both organizations use the same basic technology, and have similar business applications, both must make changes in order to build a working environment. Because smoothing out the technological differences between the IT installations will take time and patience, IT representatives should be brought into the process as early as is practical.

In addition, it will require time to resolve the cultural differences between the two organizations, so they can reach a common ground. Therefore, the sooner IT from both sides can start planning and working together, the better it will be for everyone involved. Dealing with production problems at the same time as blending the cultural and technical aspects will only make an already tension-filled process worse. Involvement and input will be rushed to meet immediate requirements; and compromises will be made, requiring later IT rework.

Because IT staff members are generally analytical and critical thinkers, they tend to point out problems, instead of seeing new-found “challenges” and providing solutions. If IT is brought in early, it can raise issues and bring solutions at the same time. As a result, the business area will more likely realize the value of IT involvement, and start to include IT more naturally. If, however, the proper business/IT relationships are not established from the start, the two areas will have difficulties working together.

Unforeseen costs will also arise when IT costs for the alliance are not researched and accounted for in the financial transaction. The cost of software has increased in the last 10 to 15 years as vendors realized the value that software adds to business productivity. In addition, vendors continue to enhance and create product functions and features leading to upgrades. There are also more productivity tools available, which have become necessary in day-to-day business. And the many platforms that software is designed to run on also contribute to the continued rise in costs.

Third-party processing provides one real example of how software licensing can delay or add significantly to the cost of an alliance. Thus, after the deal is executed, the original company might continue to run the application on its mainframe to benefit the new company, thereby creating a third-party processing arrangement. Because software contracts often do not address third-party processing, there will be additional fees.

In addition, each software contract must be systematically inventoried and negotiated to ensure that application software packages are properly run and maintained. This also requires the IT departments to begin working together as soon as possible, and developing plans for the transition. Once developed, the plans must be communicated to everyone who will be involved in the changed environment.
The organizations can thus save money by fully understanding what will be required on both sides. In addition, appropriate planning and communication can mitigate the high frustration levels resulting from the changes.

Since IT staffing is critical to the success of an alliance, the organizations must pay special attention to retaining the necessary IT staff, particularly in light of the current IT market. The organizations should focus on those staff members who support the current systems, who work on the business transition, and who build the new linkages. The organizations might negotiate “stay” bonuses for existing staff, hire contracting firms to continue to run the applications, or combine the two strategies.

If organizations can retain their staff, training will generally not be required to keep the systems operational. However, additional skills may be required at appropriate intervals for transitioning the business and building new linkages, including specific languages, tools, or platforms.

The Business/IT Relationship

The lack of a good relationship between the business and IT areas often figures prominently in the problems that arise when IT is left out of alliance negotiations. In the past, the data processing (DP) staff members were the only employees who knew anything about computers. The DP operation often featured a mainframe hidden in a basement corner. The computer performed batch operations, with viewing capabilities only during the day.

By contrast, today’s PC/Internet environment allows significant, individual processing capabilities. Over time, the business community has also become far more knowledgeable about technology. In addition, some successful IT staff have moved to the business side of the organization, bringing their IT knowledge. As business users’ computer knowledge increases, they feel less need to involve IT early on in the alliance process.

At the same time, however, the IT environment is becoming far more complex. The environment of mainframes and dumb terminals has changed to one of fully networked PCs, servers, and mainframes across LANs and WANs. Systems are no longer developed in flat file formats; developers now use relational and object databases with new languages. So the business areas cannot keep pace with IT changes. For their part, IT staff members easily get caught up in the newest toys and latest technology, implementing solutions for the sake of using new technology, rather than meeting business needs.

The “expense factor” also contributes to the ineffective business/IT relationship. Here, because the business areas view IT as an expense that is constantly increasing, they try to avoid dealing with it until absolutely necessary. Because IT is often critical to company-set priorities, resources are too tight to designate time up front. However, up-front time is neces-
sary in alliances, just as investing time up front in system development helps save time on back-end rework and retesting.

If IT spends time developing and fostering a positive value-added relationship with the business area, the business will naturally include IT sooner. In addition, it helps if a good business/IT relationship is developed before the two must interact in the stressful, time-sensitive manner that an alliance requires.

**Understanding the Alliance**

Because there are so many possible alliance options, IT should review and evaluate the specific alliance in question. When the organization first determines its business direction, IT should assess and understand top management’s corporate prioritization for the alliance, as well as the financial aspects. While ideas are easy to develop, a successful alliance requires full corporate backing. For example, success is more likely if the CEOs have met and signed the deal, rather than vice-presidents’ authorization in one line of business. In addition, public relations must communicate to the marketplace about the alliance.

IT should also consider the other company, determining if it has experience with alliances or is subject to any special or sensitive issues. Different alliances have contracts with different requirements and success factors. Although work on the contract might be time-consuming and take attention from current work, knowing the terms of the agreement will be invaluable later on.

Due diligence work is typically required before a deal is signed. Companies look favorably on IT managers who offer to complete the IT due diligence section. In addition, IT managers might thereby meet counterparts with whom they will work during the alliance project. Examples of due diligence areas include the company background, terminology, competitors, types and volumes of data to share, timeliness of communications, and data definitions. Some industries have common file sharing formats and data definitions that can quickly bridge the data definition knowledge gap.

The due diligence process also involves clearly identifying the methods of data transfer, communication, and security between the alliance partners. It is important for the data to move smoothly, and that it be protected at all times. IT should not make assumptions about the communications hardware and software in the other organization. Furthermore, the organizations want to prepare beforehand, rather than straightening out incompatibilities while trying to process the data. The latter will not only cause frustration on both sides of the transactions, but can become critical if the difficulties involve the alliance’s customers.

The organization’s financial investment in the alliance project can reveal the criticality of the alliance. The importance can be gauged by com-
paring the project budget to the corporate budget, or the revenue projections to the corporate total.

In general, larger alliances can support more investment in infrastructure up front to set up the alliance. Smaller alliances must move quickly to prove themselves, in order to justify additional investment in infrastructure. Even in developing a shorter-term solution, however, it will still benefit IT to build a solution that can be built upon, rather than thrown away or replaced.

**CORPORATE CULTURE**

All companies have their own corporate culture, which can be as diverse as two multinational companies or as similar as two mutual insurance companies. No matter how similar or different the alliant entities appear to be, it is critical to assess the cultures of both. Easy factors to understand and compare include general work hours and time zones, experiences with cross-site teams, and teleconference etiquette for newer team members. More difficult, critical items include:

- how the internal IT shops operate
- how the other company’s business and IT units get along
- how work is prioritized
- how priority conflicts get resolved

The relationship between the human resources (HR) and IT areas could seriously affect an alliance project. Because IT staff is critical to many alliances, it is important for the organizations to retain the current knowledgeable staff, who understand the systems and can create transition processing. If IT staff members do not find it valuable to remain, they might leave at the first opportunity. Therefore, organizations should develop “stay” bonus packages, which will likely be different for IT than those of other staff members. It is important to have an HR area that understands the IT environment and can help in developing these packages.

The two IT cultures will likely have different organizational structures and processes. For example, large companies operate very differently than smaller companies in decision-making abilities and the formality of communications. Other factors that IT should consider include: whether there are formal project management or systems development methodologies, the standard desktop configuration and software available to share information, and how voice and e-mail are used internally and over the Internet.

Vendor relationships within each of the IT organizations will also affect alliance efforts. Larger companies usually have more influence in vendor negotiations, whereas smaller companies must often accept the pricing as presented.
In addition to potential third-party factors, different releases of the same software can cause incompatibilities that must be resolved. It is critical to analyze software package-by-package to make sure the packages are compatible where necessary, and to develop a vendor negotiation strategy.

Companies also have different products and vendors fulfilling the same functionality. Again, it is critical to walk through each situation, identifying the necessary course of action. Sometimes, different packages can communicate with other similar packages and no additional action is needed.

Early on in an alliance process, often before the contract is signed, the IT front-line staff members must start working together to define the detailed requirements. Each company has its own cultural way of working through issues. For example, some cultures tightly control communications and decision delegation, while others let staff members make decisions and be accountable for them. It is important to identify processes and lead people in order to quickly address any conflict. If the respective IT and business areas do not get along, the alliance will be more challenging.

A company’s culture is developed over time, and is often held sacred — for both old companies and new start-ups. Assessing and understanding an alliant company’s cultures up front can help IT understand how it operates and quickly work through issues.

DEVELOPING AN IT ALLIANCE STRATEGY

When IT is supporting a strategic alliance, it must take the time to plan. The time spent up front will be well worth it, ensuring that all parties are clear on the needs and desired results. A thorough project management methodology is critical to success and to compress the overall timeline. In particular, IT should:

- **Understand the business area’s strategy and objectives for the alliance:** This includes reading the strategic alliance contract, charter, and other documentation. It is also important to meet with the project manager, and potentially the sponsor, to start building the relationship and to discuss the critical success factors. Once the overall objectives are understood, they should not change going forward. It is important to stay on top of changes in lesser objectives.

- **Understand the other company’s objectives in the alliance:** If the objectives of the two companies are congruent, both will work toward a common goal. If the objectives are not complementary, conflict may arise. Although the overall objectives may be the same, there may be legitimate but different subobjectives. It is important to
take the time to understand and agree upon all the objectives, clarifying and resolving all issues.

- **Get to know the other company’s IT area, culture, and processes:** Understanding how the other company operates will be important in working through issues that arise. Up-front knowledge of the other company’s decision-makers, as well as its processes for setting priorities and change management, will speed conflict resolution.

- **Develop a project plan in conjunction with the business areas:** With the overall plan established, the IT portion must be detailed. Both business and IT representatives should develop and walk through the IT plan, for understanding and clarification. It is key to define the roles and responsibilities for each company, as well as for the business and IT players. The project manager must be informed if the implementation timelines change from the initial to the detailed plan.

- **Execute and monitor the plan, making changes as necessary:** Once the project plan is initially established, it must be tracked. To do so, the steering committee and front-line team should hold regular meetings, documenting and communicating the content of the meetings, as well as decisions to be made. When changes are identified, a formal change management process is necessary to communicate the effects to all interested parties.

- **Follow up with lessons learned:** This process can be undertaken during the project at appropriate phases, or, as is typical, after the project is over. The facilitated session is an open discussion to document the project’s positive aspects and potential improvements. This is where the organization learns and grows by clearing the air and setting expectations for improvements going forward.

- **Create a checklist for future alliances:** Since the organization will be entering into more alliances, it can learn from its experiences by developing a checklist of the necessary steps, illustrating what worked well, as well as the pitfalls to avoid. This checklist can be used as a starting point for the next alliance, although there will be changes, additions, or items that may not apply going forward.

**The Detailed Plan**

The most difficult part of the process is to develop the detailed plan, possibly because there might be a gap between the business’s initial expectations of the alliance and what can really get accomplished at a detailed level. The project plan includes scope, timeline, and resources. While project managers cannot dictate all three, they should be able to determine at least one. Of course, even if the scope and timeline are set, IT cannot always accomplish the objectives by adding more resources to the project. No matter how many resources are available, some processes cannot be completed more quickly.
**Scope.** The project plan's scope should be as complete as possible. Here, a number of issues will be raised, and solving them quickly will be a key success factor. An issues log with origination date and required answer date is a necessity.

In an alliance, one company will typically have an unsuccessful line of business that is a strength of the other company. It is necessary to decide what to do with the potentially competing line of business: continue it, convert it, or sell it. This determination usually differs from establishing new linkages between the different IT resource efforts.

However, it is also critical to define new linkages between the companies in terms of systems integration and data sharing. Examples include marketing and financial information, revenue, and financial compensation. Detailed discussions are necessary for data definitions and mapping.

The size of the alliance effort depends on related experiences and expectations on the part of both companies. Companies with previous alliance experience are more likely to reuse programs, interfaces, and file generation. Companies with little or no such experience will require more time, effort, and communication.

Identification of all the hardware, software, and staff costs involved will help expedite the transition. For example, an alliance will close more quickly if software licensing costs continue to run transition systems on the selling company’s infrastructure as a third-party administrative function.

In addition, both organizations should include enough travel budget and time to develop proper face-to-face relationships. IT should also build solid relationships with the vendors involved to ensure a smooth transition for packaged applications. Success depends on having a strategy for contacting vendors. For example, if one alliance company has a better working relationship with various vendors, it should be leveraged.

Planning should be included for all phases of the effort. These include requirements development, systems development, testing (of IT, the business area, systems, performance tuning, etc.), conversion, and implementation.

Unforeseen costs will arise. If the contract wording specifies that all costs are shared equally, all profits might also be shared equally.

The business’s general, high-level scope must be compared to the detailed scope as defined above. This checkpoint raises new issues that must be validated regarding if they are in or out of the initial project scope. This determination might require cost-benefit information.

**Timeline.** A timeline is typically established during the contract discussions. It might be a vague statement targeting the end of the third quarter, or it could be based on a company year-end.

IT should understand the exact commitments in terms of the business deliverables and logic, in order to gauge the flexibility for changes. When
IT understands the business logic behind the timeline, the only options for change may be to reduce the scope or increase the costs.

Once the timeline is agreed to, there must be communication of status at established milestone checkpoints. Contingency plans must be developed in case the timeline cannot be met.

**Costs.** The business area usually has a cost in mind for the alliance that has been approved in the project plan. Once the detailed IT costs are validated, they must be immediately communicated to the business area, to determine disparity between the initial and detail plans. All costs must be included, from hardware and software to staff time. The latter requires an assessment of the necessary skill sets, and some hard dollars may be needed for contracting.

The costs should be itemized and attached to specific scope items and deliverables so that the business area can analyze the costs and benefits of scope decisions. In some cases, IT and the business can work together to reduce specific requirement costs by scaling back or making slight changes that dramatically reduce the timeline and cost. No matter what the final figure, the plan should include some level of contingency funding to ensure sufficient money to complete the project.

**IT SUPPORT AND DIRECTION**

While the above activities are IT responsibilities, IT can also help the business area by:

- **Defining the alliance’s critical success factors:** IT can identify specific items to be measured and communicated regarding the alliance’s success, including conversion ratios, revenue, expenses, and quality factors. It is much easier to design systems to meet these needs up front, rather than redesigning them later.

- **Working with the business area to map out key processes:** IT can draw a diagram of all the processes to show what is happening and when, so people can clearly understand what must take place in the alliance efforts. If there are gaps, it is easier to find them early on. Understanding the timing is key for daily, weekly, monthly, quarterly, and yearly exchanges. Mapping will also highlight differences in the companies’ reporting schedules; for example, use of calendar year versus the corporate year-end.

  It is important to map key business, financial, and systems processes, including critical dataflows and timing. Mapping business processes requires showing how the current processes work now and how the new processes will flow in the future. Changes to business processes might target phone call routing, procedural changes, and technological changes based on different systems used.
Financial processes will be mapped in different degrees of detail. For example, high-level financial reporting can be shown by summary numbers from a paper report, while detailed reporting is necessary to pay compensation based on transactions.

Systems flows are important in showing different physical implementations of technology. Also, when an IT organization is switching to the new environment, it should not remove the old technology infrastructure too soon, in case there are transition issues.

- **Defining gaps in data definitions**: In new alliances, where there is no existing business to transition, this step may not be important because each company will bring its own definitions to the table. Gaps in data definitions become more important when there is a transition of business from one company to another and detailed data mapping is required. The first step is to define data requirements for each system; for example, to illustrate what each field or file layout represents. Key business and IT staff must be assigned to work through the issues.

- **Developing comprehensive plans to address the gaps**: It is important to bring alternatives and solutions to the table because IT has invaluable experience and knowledge. When IT understands the overall alliance objectives, it can strengthen its relationship with the business area by offering recommendations in solving business problems.

**HOW TO AVOID COMMON PITFALLS**

IT should build a positive relationship with the business area first. This cannot be emphasized enough because the alliance project will face obstacles and stressful times, and a good business/IT working relationship will greatly enhance the resolution process.

The companies’ business and IT areas should also spend time face-to-face and one-on-one. Not only is it important for IT to develop a good working relationship with its business area, but also with its strategic alliance peers. After the initial relationships are established, telephone calls and videoconferences are good tools to continue them. However, there must still be periodic face-to-face contact.

IT should understand the business and remain plugged in. Things change hourly during and after negotiations. Keeping up to date with the business can happen through formal status meetings or through informal talks with the project lead and sponsors.

The business area should direct and lead the negotiations. While it is the responsibility of IT to benefit the business, there are other ways to provide necessary input to the business area.

IT should not publicly point out all the problems and pitfalls between the companies. Although IT staff members can be analytical and often
correct in their assessments, they should remember to bring solutions to the effort. Options to overcome issues should be communicated to the business area.

IT should avoid having too many leaders. Instead, a point person from each company should be identified to direct the IT effort, which will help others understand their roles.

IT should also make sure both sides understand the other’s definitions of key data elements. In addition, IT should stay in tune with software and hardware versions and releases for both companies during the alliance effort. Versioning control is important in eliminating rework later on. Finally, IT should prioritize work and have a steering committee to elevate any issues when necessary.

CONCLUSION
In an alliance effort, IT can add value by partnering with the business area to become involved as early as possible in negotiations. A successful alliance will be more likely if IT takes the time to carefully plan up front, and then communicate broadly as soon as possible in the alliance effort. IT should also pay attention to the subtle cultural differences within and between the two organizations. Related problems are likely to arise and must be managed or they will create difficulty as the project moves forward.

Strategic alliances are here to stay and will continue to occur, both horizontally and vertically. It is critical for IT to change the business area’s perception of the function from that of a necessary evil and expense, to one of a partnership that can add significant value. IT can be valuable in helping the alliance get started and implemented faster, and with a higher degree of quality. This translates into a strategic advantage for the company.

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