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# UNDERSTANDING THE BENEFITS AND CHALLENGES OF STRATEGIC ALLIANCES

**Franchisors should go into partnerships unselfishly and with clear expectations from both sides—just as they would before signing on a franchisee.**

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By: John F. Buckles

To prosper and grow as a franchise, more often than not, there will be a point when it will be necessary to find creative new ways to expand and develop into new markets. Strategic business alliance relationships have grown increasingly popular and serve as a means for both parties to increase their brand awareness and capital, without expending extra time or experiencing significant financial impact.

Before pursuing a business partnership, franchisors should identify businesses that offer different, yet complimentary services from their own franchise system, but serve a similar market.

In approaching a potential alliance partner, one of the most important things to keep in mind is, “Ask not what your strategic partner can do for you, but what you can do for the partnership?” After identifying a potential business that can help your franchise tap into a new market, the organization must clearly identify what it brings to the table. How will the partner gain value from the alliance with your company? The most important point to keep in mind about a strategic alliance is that it will be mutually beneficial. If both parties are not benefitting from the partnership, it will languish over time, resulting in a damaged business relationship.

After the franchised company has identified a business with whom it can build a mutually beneficial partnership, it will be ready to establish a relationship with the representatives and solidify a healthy alliance. Strategic business alliances can be extremely beneficial to growing your franchise, offering opportunities to increase exposure of your brand through the partner’s channels, as well as the potential to offer supplementary

services to existing ones. However, partnerships must be approached with caution. It is human nature to be motivated by self-interest, and both parties must overcome this emotion to establish a partnership that will be beneficial to both.

### Benefits of Strategic Alliances

#### Access to Supplementary Services

One of the most attractive benefits of an alliance with another business is the opportunity to offer supplementary services to clients that otherwise would not be available. It is vital to a business' success to focus on its core competencies because when a business becomes a jack of all trades, it becomes a master of none. An alliance allows a company to offer its clients a whole new realm of services without losing focus on its capabilities and its specialized services.

#### Opportunity to Reach New Markets

Entering a strategic alliance will automatically increase awareness of a brand among an entirely new market that the franchise business has not had the resources to reach beforehand. In most cases of franchising alliances, a partner will be a business that offers a completely different set of services to a market that is similar to its own, allowing the business to increase its market size with little impact on the franchise business.

For example, while 1-800-GOT-JUNK? offers an entirely different service than Caring Transitions, their clients are ideal for our service. In partnering together, Caring Transitions is able to increase awareness of both the brands among a larger target market without the risk of overshadowing each other's services.

#### Increased Brand Awareness

The opportunity to grow market size with a partnership presents the additional opportunity to increase awareness of the brand. One of the key elements of a business' success is constant, growing brand awareness. If your brand awareness isn't growing, your business isn't growing. Strategic alliances allow an organization to reach a broader audience without putting in extra time and capital.

#### Access to New Customer Base

A franchise business is constantly searching for new, creative ways to increase its clientele and reach new potential customers, and forming a strategic alliance provides an opportunity to do that. A trusting, solid business partnership will provide access to a completely new customer base that the franchise would not have had access to otherwise.

#### Potential Challenges

##### Choosing the Right Partner

The challenges to a strategic alliance begin during the very first stage of choosing a partner. Choosing the wrong partner can be damaging if it is not able to contribute to the growth of your business and offer a degree of dedication, honesty and integrity to the partnership. When researching different businesses that your company could potentially form an alliance with, it is important to keep in mind that this will often be an exclusive relationship, meaning it may very well be the only business your brand will be able to partner with in the category. In partnerships, the franchise company is going to want to choose businesses with a positive reputation in its industry that uphold similar policies and values as within its business model. Once a relationship is formed with a business in a specific industry, the odds of forming more in that same industry are very slim, so it is important to do it right the first time.

### Building a Mutually Beneficial Alliance

1-800-GOT-JUNK? believes that one of the biggest challenges of entering a strategic alliance is ensuring that the partnership is going to benefit both businesses involved. With human nature being motivated by self-interest, it is often difficult to enter into a business relationship with the goal to benefit the other party just as much as it will benefit your brand. Once that emotion is overcome, a new challenge arises to continue to keep the relationship mutually beneficial throughout its lifetime, which will require dedication, trust and honesty.

### Upholding Trust and Honesty

Without a certain degree of trust and honesty, a partnership has no foundation to build on. It is important for both parties approaching an alliance to set their expectations clearly and concisely before the partnership is solidified.

According to 1-800-GOT-JUNK? Senior Strategic Account Manager Chris Hilliard, before entering a partnership, it is essential to discuss and address the “what-if’s” of things that could potentially occur down the road that may be damaging to the relationship. For example, 1-800-GOT-JUNK may eventually find it necessary to change its insurance coverage for its truck teams which would definitely affect the job being done with the partnering company. If this what-if isn’t discussed in the beginning stages of solidifying the partnership, it could potentially affect the agreement and foundation built with your partner.

### Knowing When to Reassess the Alliance

Every business will experience constant flux and change and initiatives that have once been prosperous may not be right two to three years down the road. To ensure that a business alliance continues to mutually benefit both parties, it is important to know when to reassess the alliance and change the foundation. Both businesses must understand that change is inevitable and must be able to work together to reach new agreements over time. Sometimes the need to restructure will be clear, while at other times it will take the initiative of one or both sides of the partnership to actively seek whether or not the partnership is still working. It is a good idea to reassess a business alliance at regular intervals.

Strategic business alliances could be the next step in the growth and marketing initiatives for your franchise as they offer a wealth of benefits including increased brand awareness and the ability to reach new markets and offer supplementary services to your clients, but there is a certain level of risk involved and partnerships should be approached carefully.

Business alliances should be approached just as one would approach a friendship. Both need constant nurturing to grow and prosper. There must be consistent and quality interaction as well as thorough, clear communication to obtain the best results. If a friendship or alliance is not constantly being nurtured, “fall out” might result.

In the end, strategic alliances offer tremendous potential benefits to both parties. But like any relationship, both companies need to carefully assess each other’s motivations and expectations before making a commitment. It’s necessary for both companies to bring equal value to the partnership. Franchisors should go into partnerships unselfishly and with clear expectations from both sides—just as they would before signing on a franchisee.

John F. Buckles is co-founder and president, as well as a member of the Board of Directors of Caring Transitions. He is a certified senior advisor, a certified relocation & transition specialist and a proven senior care franchising expert with more than 20 years of global and operational business experience. Buckles has experienced and managed the care and transitioning challenges of his parents for over 20 years, starting with his mother’s stroke in 1983 during his senior year at college. He can be reached at [JBuckles@caringtransitions.net](mailto:JBuckles@caringtransitions.net).

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