KELLOGG
RURAL LEADERSHIP PROGRAMME

# Understanding strategic alliances and their role in New Zealand agriculture


Kellogg Rural Leadership Programme

Course 42 2021

Thomas Creswell

I wish to thank the Kellogg Programme Investing Partners for their continued support:

Strategic partners

Programme partners

Service partners

**Disclaimer**

In submitting this report, the Kellogg Scholar has agreed to the publication of this material in its submitted form.

This report is a product of the learning journey taken by participants during the Kellogg Rural Leadership Programme, with the purpose of incorporating and developing tools and skills around research, critical analysis, network generation, synthesis and applying recommendations to a topic of their choice. The report also provides the background for a presentation made to colleagues and industry on the topic in the final phase of the Programme.

Scholars are encouraged to present their report findings in a style and structure that ensures accessibility and uptake by their target audience. It is not intended as a formal academic report as only some scholars have had the required background and learning to meet this standard.

This publication has been produced by the scholar in good faith on the basis of information available at the date of publication, without any independent verification. On occasions, data, information, and sources may be hidden or protected to ensure confidentially and that individuals and organisations cannot be identified.

Readers are responsible for assessing the relevance and accuracy of the content of this publication & the Programme or the scholar cannot be liable for any costs incurred or arising by reason of any person using or relying solely on the information in this publication.



Scholar contact details may be obtained through the New Zealand Rural Leadership Trust for media, speaking and research purposes.

## 1. Table of Contents

## 2. Acknowledgements

I would like to thank my employer FMG for their support and encouragement of my participation in the Kellogg Rural Leadership Programme, in particular Scott Kahle and Andrea Brunner for their guidance on my career and leadership journey.

Regarding the industry engagement and interview component to this project, I would like to acknowledge the involvement of industry leaders in sharing their experiences and time with me. These 'real world' examples are paramount to the recommendations in this report.

To Dr Patrick Aldwell, Scott Champion, Desley Tucker and Lisa Rogers who make this whole experience and course possible. You are all very generous with your time and created a welcoming and stimulating environment for learning and development.

To my Kellogg colleagues in cohort 42 for making this journey a truly unforgettable experience, it is motivating and exciting to know you will all influence the future of the agriculture industry.

## 3. Executive Summary

New Zealand companies that export goods face the challenges of seeking cost effective ways to overcome the disadvantages of a small domestic market, the high cost of domestic production, stringent regulations and compliance, and the geographical distance to major markets. One approach to respond to this challenging environment is business collaboration, using strategic alliances.

Strategic alliances need to comply with the commerce act however and avoid anti-competitive behaviour.

The purpose of this report is to investigate three key areas regarding strategic alliances:

1. Explore the benefits and risks associated with alliance relationships
2. Understand how to implement and maintain a strategic alliance
3. Investigate the current use of strategic alliances in the agriculture industry and the appetite for more collaboration

The methodology used for this report includes a literature review and a qualitative approach was conducted using interviews with industry leaders. The responses from the interviews were categorised and key trends identified. This allowed me to draw recommendations and identify key actions.

International research has shown the use of strategic alliances are increasing rapidly. The intention of a strategic alliance has typically centred around growth, sharing resources, extending reach, access to information / knowledge, and to enhance a product. However, strategic alliances need to be approached with caution as numerous studies indicate that 50% of all strategic alliances will underperform, and 30% will fail outright. Poor execution is responsible for 86% of all failed alliances.

The findings in this report indicate there are enormous opportunities for improving outcomes. This report identifies the crucial steps and actions required during the implementation and on-going management of a strategic alliance. Recognising and adapting to the unique characteristics of each alliance can dramatically increase the likelihood of success for everyone involved.

It is my recommendation that a strategic alliance should be considered within any company growth strategy. I recommend having a check list and work through a process, with three key focus areas being:

1) Have a sound business plan
2) Have real clarity on the purpose
3) Getting the right partner

Supporting my view, 90% of industry leaders interviewed are considering a new alliance going forward. Furthermore 100% of industry leaders believe there is an opportunity for more collaboration in the industry, and agree strategic alliances are a good tool to achieve this.

## 4. Introduction

*"It's part of our national myth that we can be self-sufficient and have a garage in which to tinker. That's not where great ideas come from anymore. Individual people can no longer master everything you need to make something world-beating" — Shaun Hendy, Auckland University*

Businesses in New Zealand are often constrained by the small domestic market, distance from major markets and access to capital. There is also a high percentage of small to medium enterprises in New Zealand.

Many business consultants have described the future as volatile, uncertain, complex, and ambiguous (Garner, 2006). Technology advancement has increased the speed of change and this is not slowing down. We know the future is uncertain and the agriculture industry needs to future proof itself.

The New Zealand economy is greatly dependent on primary production and international trade. This, coupled with a growing world population and people living longer means New Zealand farmers should be well positioned to capitalise on the increasing world protein demand (Roser, 2017).

Post Covid 19 the agriculture industry has been a key player contributing to the economy, with many leaders making statements that there is a real opportunity for the sector to capitalise on New Zealand's clean and safe reputation.

New Zealand farmers are also facing numerous challenges. Essentially farmers are aiming to produce more while simultaneously reducing their environmental impact. According to the findings of the FMG Future of Farming and Growing in New Zealand report (FMG , July 2019), issues facing the sector going forward include:

- Trade is getting difficult
- Global economies are slowing down
- Technology will disrupt food production
- Ethics are driving pressure on factories and traditional farming methods
- Uncertainty over retail business models with disruption and global domination by a few
- New legislation, regulation and compliance aimed at farming

New Zealand farmers must compete on international markets, often against heavily subsidised competitors. New Zealand production is driven like any other commercial business model where decisions on-farm are responding to potential returns and domestic / overseas market expectations. Sales depend on meeting the customers' expectations of price, quality, animal welfare and sustainability.

One approach to respond to this rapidly changing environment is business to business collaboration, using strategic alliances. Applied correctly, I believe strategic alliances are a powerful tool that can benefit the agriculture sector.

I am currently employed by FMG, working in a business development and relationship management role. Through this experience I have seen how beneficial strategic alliances can be to both parties involved. I have undertaken this research to increase my own understanding on the topic, with a particular focus on the implementation and the on-going management.

## 5. Aims and Objectives

The purpose of this research is to investigate three key areas regarding strategic alliances:

1. Explore the benefits and risks associated with alliances
2. Understand how to implement and maintain an alliance
3. Investigate the current use of strategic alliances in the agriculture industry and the appetite for more collaboration

## 6. Methodology

The methodology used for this research report includes an in-depth literature review of the steps required to implement and maintain a successful strategic alliance. The resources used include both domestic and international research papers, opinion pieces, industry reports and case studies.

Secondly a qualitative approach was conducted using 10 x interviews with industry leaders. The data was categorised into codes and reoccurring themes, language, and opinions were identified. The themes have been presented using graphs and charts. This allowed me to draw conclusions, supported by the literature review.

## 7. Literature Review

### 7.1 Definition

A strategic alliance, also called a strategic partnership, refers to an agreement between two or more companies / partners to reach objectives of common interest. The companies / partners remain independent, and each company / partner hopes that the benefits from the alliance will be greater than those from individual efforts (KENTON, 2019).

Typically, two companies / partners form a strategic alliance when each possesses one or more business assets or have expertise that will help the other by enhancing their businesses. Companies / partners may provide the alliance with resources such as products, distribution channels, manufacturing capability, funding, capital equipment, knowledge, expertise, or intellectual property (KENTON, 2019).

### 7.2 Structures

Assuming you have found a partner and have agreed to form an alliance, the best way to collaborate then needs to be established. The most common forms used are non-equity / contractual partnerships, equity-based partnerships and joint ventures.

Traditionally companies have opted for mergers or acquisitions when entering new markets to gain economies of scale or access new capabilities. Mergers and acquisitions are not considered strategic alliances, this is because the two partners do not remain independent.

For an alliance to be considered strategic both partners need to value the partnership as an important tool to the overall business strategy and it be managed accordingly.

### Non-Equity Partnership

This is created when two or more companies enter a contractual relationship to pool their resources and capabilities together. The main reasons for this option are high levels of uncertainty in the market, the existence of several possible partners, there is a risk of damaging existing partnerships, and high organisational fit (Pellicelli, 2003).

A contract relationship Is the easiest to implement and less binding. It is the preferred option to start a collaborative approach and what I will be referring to throughout this report.

An industry example of a non-equity partnership is the alliance between Farmlands and FMG. They have a contract in-place designed to positivity benefit both parties. It is considered strategic due to the size, value, and impact to both partners.

### Equity Based Partnership

An equity partnership is established when two or more individuals come together to pool their capital and offer their skills to enable the partners to obtain revenue and growth from their investment. Equity based partnerships are common in farming. Examples include herd owning and land-owning equity partnerships.

Equity based partnerships are also created when a company purchases a certain equity percentage of another company. If Company A purchases 40% of the equity in Company B, an equity strategic alliance would be formed.

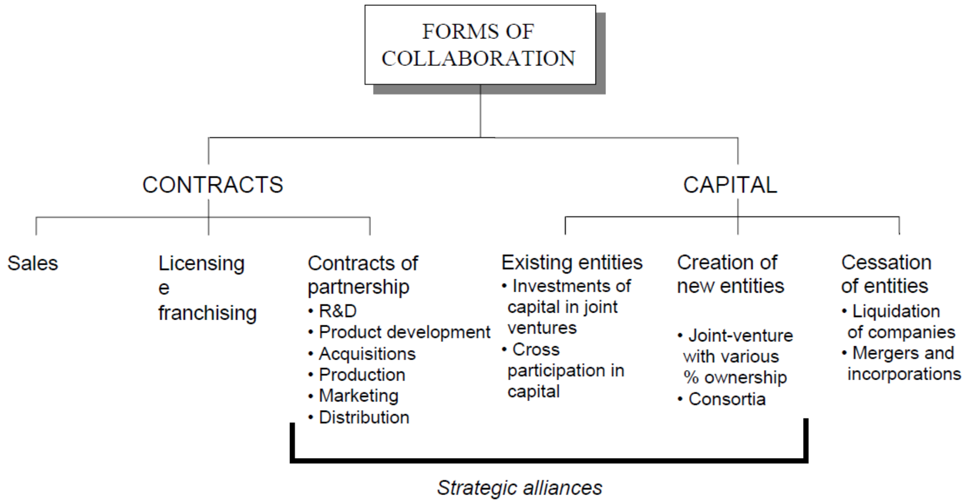
### Joint Venture

Joint ventures are established when two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. In a joint venture, each of the participants is responsible for profits, losses, and costs associated with the venture. However, the venture is its own entity, separate from the participants' other business interests, meaning the two companies create a new company. For example, Company A and Company B form a joint venture and create Company C.

Joint ventures can work well depending on their purpose for existing. Overall however joint ventures are the least popular form of partnership as they are the most difficult to manage and have an average life span of around seven years (Pellicelli, 2003).

A New Zealand example of a current joint venture is Overseer Limited. This is a partnership between Ag-Research Limited and the NZ Phosphate Company Limited (which is a joint venture on its own 50/50 owned by balance Agri-Nutrients and Ravensdown). Overseer was established to enable New Zealand farms to be environmentally and economically sustainable.

*Figure 1 – Forms of collaboration table, sourced from* (Pellicelli, 2003)




## 7.3 Increasing Interest

> *"As big as your dreams are and as smart as you might think you are, you can't do it alone" - Adventure capital founder and managing partner Stuart Richardson*

The below study suggests that the use of strategic alliances between businesses are increasing. As the more complex and uncertain environments become, the more appealing a partnership becomes. As noted by KPMG (2017) more than half of the respondents confirm that strategic alliances are a fundamental part of their organization's future strategy.

*Figure 2 – Survey response, how important are alliances, sourced from KPMG International* (Julia Weber-Rymkovska, 2017)

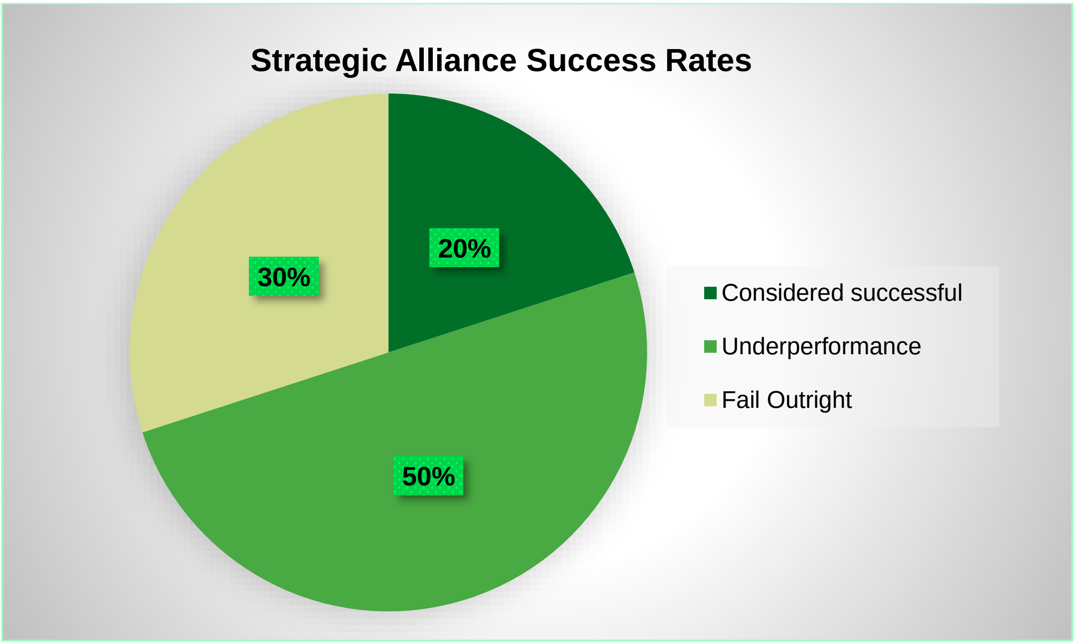
The 2014 PwC Australia research report has similar findings. It found that 43% of Australian CEOs were planning to enter a new alliance in the next 12 months, up from 28% who had undertaken alliances in 2013. This is in line with findings from America, where more than 40% of business is conducted through alliances / partnerships, up from 5% in 1990 (PWC Australia , 2014).

## 7.4 Failure Rates

Partnerships are not easy and case studies show high failure rates to support this concern. Alliance Best Practice, a UK-based research and benchmarking firm have research showing that 40% of alliances fail to comprehensively address the commercial, strategic, operational, cultural, and technical leading practices (Engelbrecht, 2019).

A survey conducted in 2001 by the consulting firm Accenture, found that 50% of alliances drift into a suspended state of underperformance, while 20% are successful and 30% fail outright (Engelbrecht, 2019).

*Figure 3 – Alliance success rates, sourced from* (Engelbrecht, 2019)

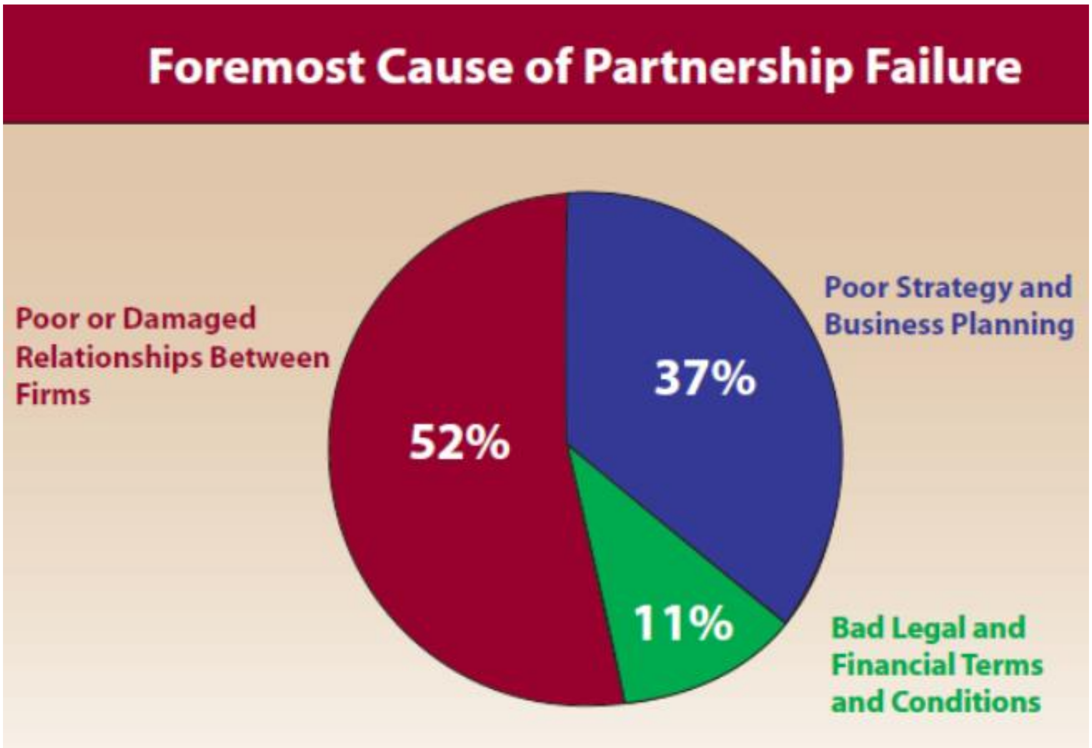



Acknowledging this concern, the next step is to look at why they are failing. The 2003 Ivey Business Journal (David Eaves, 2003 ) helps to answer this question. It has identified three key areas:

1) Poor or damaged relationships
2) Poor strategy and business planning
3) Bad legal and financial terms & conditions

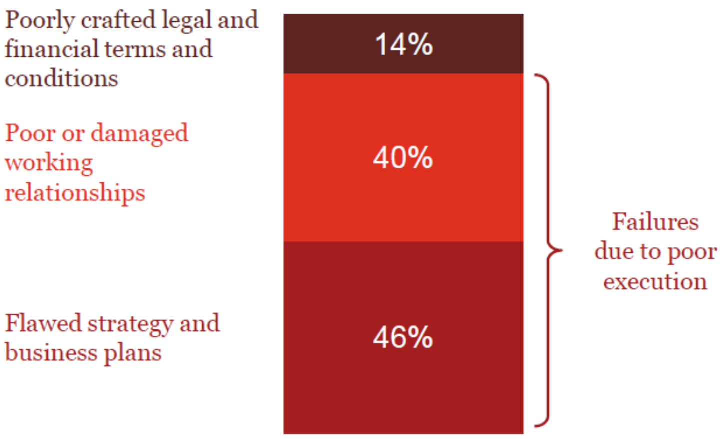
On its own, poor or damaged relationships account for 52% of all failed alliances. Together, poor business strategy and poor or damaged relationships account for a staggering 89% of all failed alliances.

*Figure 4 – Cause of partnership failure, sourced from* (David Eaves, 2003 )




Very similar results are seen in the 2014 PwC report (PWC Australia , 2014) with poor relationships, poor business plans and poor legal & financial terms and conditions identified as the 3 key causes for failed partnerships. Combined, poor working relationship and business plans account for 86% of all failed alliances.

*Figure 5 – Causes of alliance failure, sourced from* (PWC Australia , 2014)



## 7.5 Partnership Objectives

Business partners who enter a strategic alliance will look to benefit in one or more ways. According to Mahoney (2001) the four main objectives for entering a strategic alliance are;

1) Market entry
2) Sharing risk
3) Sharing knowledge
4) Competitive advantage

Similar findings are seen in the research report Grow From the Right Intro (The Business Performance Innovation, 2014) listing the top 5 objectives for a strategic alliance being;

1) Acquiring new customers
2) Expanding geographical reach
3) Extending product lines
4) Gaining access to new technology and knowledge
5) Sharing resources

**1. Acquiring New Customers**

Essentially this is focused on market share and market access. The organic growth of a company on its own may not be sufficient. Using the partner's distribution or client base in combination with taking advantage of a good brand image can help a company to grow faster than it would on its own.

An example of this is the partnership between Apple and AT&T. Apple is a technology company and AT&T is a large telecommunications company. This partnership enabled AT&T to be the sole United Sates carrier of the iPhone between 2007 and 2011. This partnership has resulted in huge success for AT&T. The company had 3.6 million activations of iPhones in just the first three months in 2011, with 23% being new subscribers to AT&T.

**2. Expand Geographic Reach**

Expanding distribution is among the top three benefits sought by businesses entering a partnership, with 32% of executives naming expanding geographic reach as a primary goal of their partnerships. Tightly linked to accessing new customers and revenue channels, geographic expansion is often a first step toward new growth (The Business Performance Innovation, 2014).

A good example within the industry of companies collaborating to expand their own geographic reach is the creation of Primary Collaboration New Zealand (PCNZ). In 2014 PCNZ was established to help New Zealand primary industries access Chinese markets. The collaboration includes New Zealand companies; Synlait, Silver Fern Farms, Sealord, Rockit Apple, Villa Maria Estate and Pacific Pace. Pacific Pace is itself a collaboration between Hawke's Bay horticulture businesses Mr Apple, Freshmax and Bostock Group.

**3. Extend Product Lines**

Product diversification is another objective for entering a strategic alliance. When a company rolls out a new product that carries slight differences from its existing product lines, it is part of a product line extension. Businesses with a successful product line in one arena can employ a product line extension to reach new geographic areas, appeal to different audiences or meet specific price points.

The collaboration between Dorritos and Taco Bell is a great example of this. Dorritos make tortilla chips and Taco Bell is a fast-food chain. They have a very similar target audience but serve that audience in two different ways. By partnering they created one, co-branded product named Doritos Locos Tacos. This is a taco with a shell made from Dorritos chips. The result speaks for itself, in the first year the Doritos Locos Taco was announced over 1 billion units were sold and Taco Bell had to hire an additional 15,000 workers to keep up with demand (Lutz, 2014).

**4. Access New Technologies and Knowledge**

Partners will look to create an alliance to access technology or knowledge. Sharing skills, market knowledge, technical know-how and assets can mutually benefit both parties greater than attempting to do it alone.

An example of this is the strategic alliance launched in April 2011 between Microsoft Corporation and Toyota Motor Corp. This partnership was established to build a global platform for Toyota's next-generation telematics services using the Windows Azure platform. Telematics is the fusing of telecommunications and information technologies in vehicles; it can encompass GPS systems, energy management and other multimedia technologies.

Toyota are reliant on Microsoft to provide the technology to be installed in their electric vehicles going forward, while Microsoft benefit through extending its product line, delivering products and services into the automotive industry.

**5. Sharing Resources**

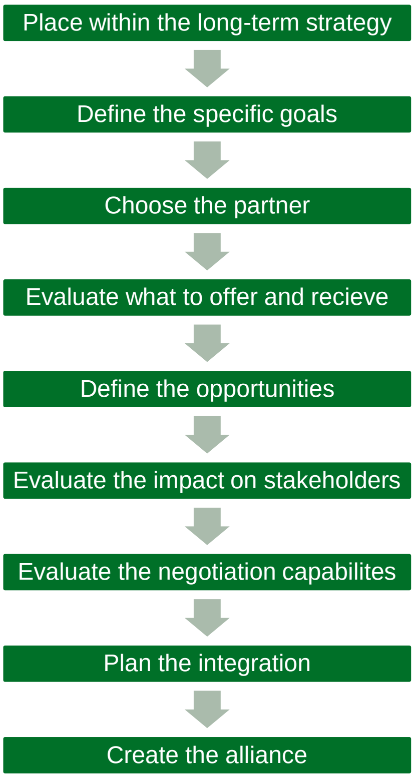
Partners in a strategic alliance can help each other by providing access to resources. Examples of such resources include personnel, finances, and technology. This access to resource enables the partner to produce its products to a higher quality or in a more cost-efficient way than otherwise achieved alone.

The Alliance between Starbucks and Barnes & Noble is a great example of pooling resources. Barnes & Noble has a retail presence in every state, with over 600 bookstores, while Starbucks are large players in the coffee industry. This partnership resulted in in-house coffee shops within the book stores. This alliance allows both companies to do what they do best while sharing the costs of space.

## 7.6 Implementation

According to Pellicelli (2003) there are nine key steps to creating a new alliance, as set out in Figure 6 below.

*Figure 6 – Steps to creating a new alliance, sourced from* (Pellicelli, 2003)




The Science of Alliances 2014 report (PWC Australia , 2014) believe there are seven core drivers that underpin good alliance execution:

1) Strategy first
2) Invest in upfront planning
3) Plan the end
4) Create trust
5) Start small
6) Keep track
7) Build capacity

**1) Strategy first**

The first step is to start with a strategy, not a partner and ensure clarity around core capabilities, trade-offs and strategic priorities. It is important to be clear on why and how these alliances will help execute each partners strategy more effectively than other options like relying on organic growth or competition acquisition.

The alliance's business plan needs to reflect the input and agreement of each participant and should be clearly and comprehensively documented in a form that is monitored and revised over the life of the arrangement.

**2) Invest in joint upfront planning**

Invest in time upfront to plan collaboratively with your partner. Get to know them, their experiences and previous learnings in alliances, and their operational perspectives and culture.

Cultural conflicts are known to be a major challenge to successful deal making. Knowing this means it is often helpful to invest time to understand similarities and differences, and perceptions on both sides. This will assist in mitigating potential friction.

**3) Plan the end**

This step is about future proofing yourself as based on research the average duration of an alliance will last is four years (PWC Australia , 2014). Subsequently, it is important to consider the circumstances that might lead to termination and agree what will happen to any shared assets and people should this occur.

Exit triggers are often poorly defined or misunderstood from the outset of an alliance. Clarity around the circumstances allowing a partner to divest their interest in the partnership should be negotiated and agreed to in the formation phase of the alliance.

The exit plan should cover situations of termination in the case of poor performance, changing environmental conditions or a predefined period/objective reached. It should cover issues like asset distribution, the transition process, and timeframes.

**4) Create trust**

Communication between partners is essential to building and maintaining trust. Equally important is working closely and reciprocally together, including being open, transparent, and willing to adapt.

Trust begins during the negotiations process, from how leaders communicate to how they gain consensus. The ability to work collaboratively while engaging in the inevitable confrontations involved in reaching the right terms is fundamental to building and sustaining trust.

**5) Start small**

Begin with a narrow, achievable, and shared objective and deliver early success. It is important to build early momentum to increase buy-in to the alliance and the ongoing change process. Manage expectations and as trust and confidence grows, learn, adapt, and evolve to larger ambitions.

Alliance management staff should feel empowered to make decisions quickly without being slowed down. The focus is on achieving the 'ideal state' of synergy while maintaining sufficient independence for agile decision making.

**6) Keep track**

During the early days of the alliance, all levels of management need to behave consistently despite historic differences. It is therefore essential to establish clear, tangible shared objectives which can be used to align the organisation and be tracked against.

It is crucial to develop key performance measures and have a clearly defined reporting framework that tracks business performance and enables both partners to monitor progress.

**7) Build capability**

This step is focused on providing enough resource and having a dedicated alliance management function.

Initially the function would evaluate potential partners based on organisational fit and facilitates ongoing alliance performance assessment. In the medium term the function starts to codify key learnings, develop templates and tools for alliance assessment and decision making. In the long term it drives collaboration, identifies alliance target partners and opportunities, co-ordinate relationships with key partners and ultimately creates an enterprise wide culture.

Research supports this action, with the Whaton School of Business showing up to 45% higher success rates with alliances who have a dedicated alliance function (David Eaves, 2003 ).

## 7.7 On-going Maintenance

> *" Coming together is the beginning; keeping together is progress; working together is success" – Henry Ford*

The reality is on-going success between partners doesn't just happen because you agreed on a good idea and signed a contract. Establishing a new partnership is only the beginning, to avoid it failing altogether or to just maximise success partners need to commit to and maintain the agreement.

Ruth De Backer, a partner in McKinsey's & Co. has identified five priority areas crucial to making a strategic alliance work long-term (Rinaudo, 2019);

1) Communication
2) Trust
3) Teamwork and culture
4) Resource
5) Measure

**1) Communication**

It is no surprise that many problems occur because of poor or no communication, applicable to almost any situation. Clear and regular communication is an essential component to a long-term working relationship both internally and between partners.

At the leadership and operational level staff should be looking to understand one another and build friendship and trust. They should be kept in the loop and know what is going on.

**2) Trust**

Developing trust with stakeholders is the essence of building strong relationships, when the level of trust is low, business suffers. This includes trust in people, the product, the company, and process.

> *"If there is a strong relationship between JV operators with a high degree of transparency and trust then you can make almost anything work…without transparency and trust even the best planned JVs will fail." - Andrew Warrell, Director, ExxonMobil Australia*

**3) Teamwork & Culture**

Successful alliances depend on the ability of individuals on both sides to work almost as if they were employed by the same company. For this type of relationship to happen staff must know how the other one operates, they need to know the key contacts within different divisions, how they allocate resources, and how they share information. Each partner must understand each other's structure and procedures. Through this understanding partners can establish a working relationship, ensuring the teams are working together effectively (Weiss, 2007).

**4) Resource**

Bringing two different cultures together can create challenges as staff will bring with them attitudes, mindsets, motivations, varying communication styles and expectations. It is important to invest in tools, processes, and people. Companies will create working groups or new roles to manage the operational delivery of the strategic partnership.

**5) Measure**

Success depends heavily on adopting a proper strategy, alignment (within the company and between the partners) and a smooth integration of business to business processes and operations. On the operational level, it is very common to see middle management disconnected, since their objectives are often conflicting. Creating special mutually accepted metrics to measure the success of the alliance is important.

Internal staff need ongoing guidance from senior management. Management need to define what "success" looks like and how they are going to measure and reward it. Staff on the ground responsible for managing the partnership need to know if they are on the right track.

During early stages measures might be around information sharing and communication, the development of process or ideas. Once the alliance has been established and running however performance measures might include revenue, units sold, reduced costs, or gains in market share.

# 8. Findings & Discussion

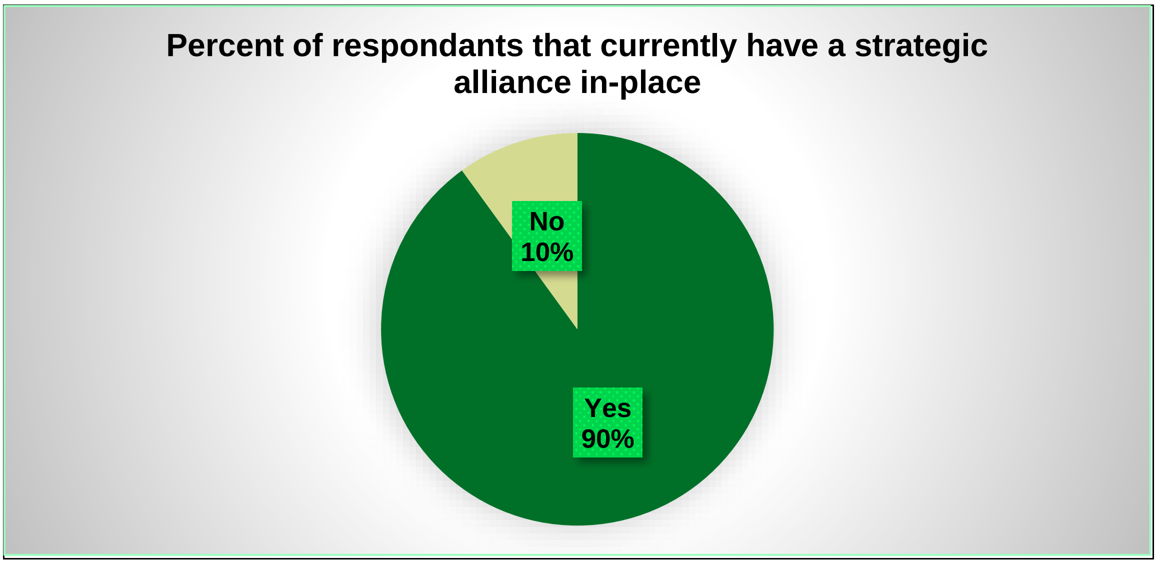
## 8.1 Industry Engagement

You don't have to look very far within New Zealand for examples of successful business to business alliances, from small and large scale, across cooperatives and privately owned, working horizontally and vertically in the supply chain.

The findings presented in this section of this report are the result of 10 semi structured interviews. The questions used to steer the conversation have been included in Appendix One. All participants interviewed are in leadership or CEO positions within the agriculture industry. Individuals were selected based on current relationships, introductions, or recommendations.

## 8.2 Industry Appetite

*Figure 7 – Survey response on the current usage of strategic alliances*

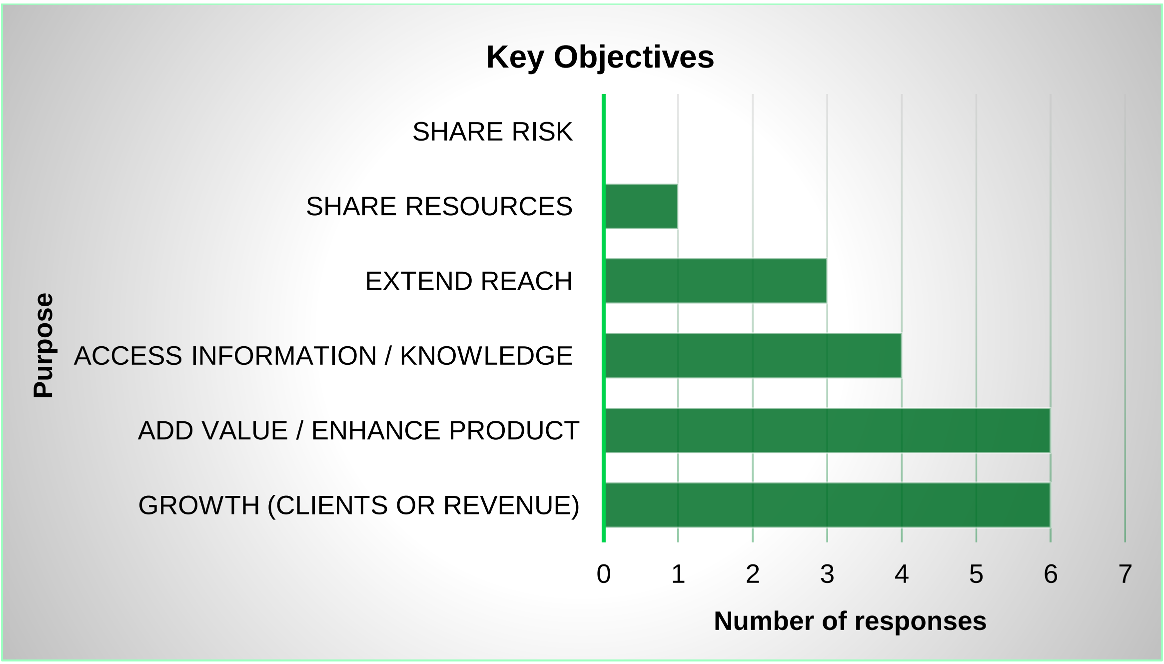



From the ten industry leaders interviewed, nine have a strategic alliance in-place currently, in addition to this all 9 would consider a new alliance going forward. Responses varied from having only one strategic partner while others have multiple partners in-place to achieve a range of different objectives.

Only one respondent had no strategic alliances currently in-place, in addition to this they had no appetite to consider a new alliance going forward. The respondent believes alliances are a distraction for staff and did not see how they could add value.

## 8.3 The Purpose

*Figure 8 – Survey response on the key objectives for entering a strategic alliance*



From the interview responses the two main objectives for entering a strategic alliance are:

1) Add value (30%)
2) Growth in clients or revenue (30%)

Combined add value and growth make up 60% of all responses. Growth through clients or revenue is not a surprise and aligns with the literary review above.

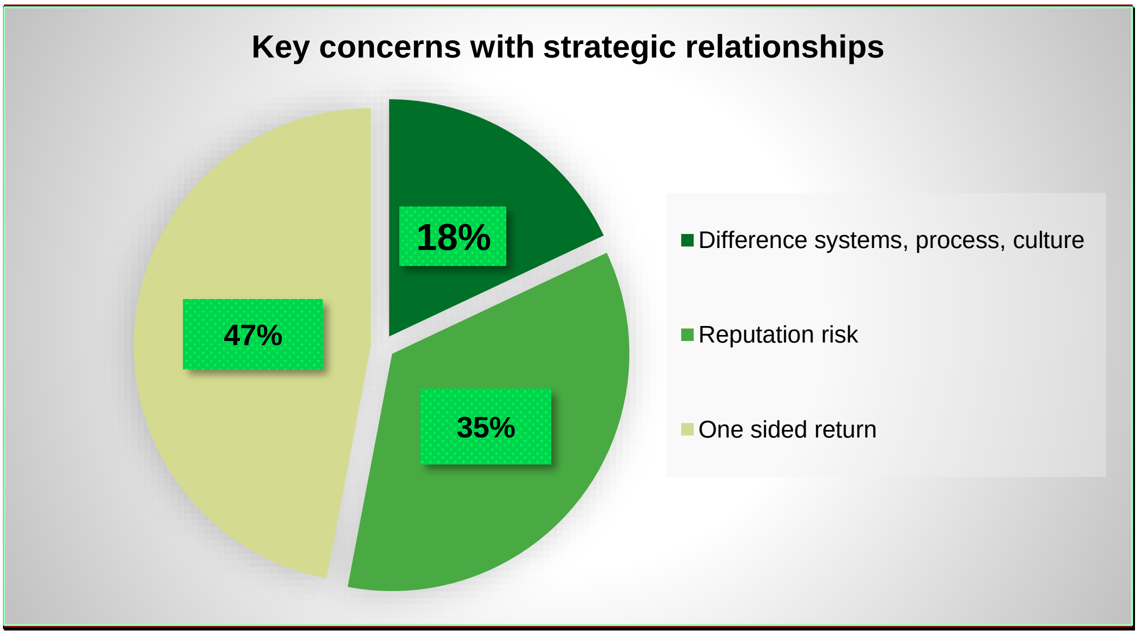
I am surprised however that add value has scored equally high, making up 30% of all responses. This response is closely linked with enhanced product in the literature review, and the reason I have combined this answer when collating feedback.

I personally found add value to be an interesting answer. I say this because adding value to a client base is hard to action and then measure. This response prompted additional conversation as I wanted to know "how is adding value delivered and what is the clients experience from a partnership designed to add value". Majority of the conversation aligns with enhancing a product offer. Some example of this are free shipping, easy payment, discounted rate.

> *"Getting an effective partnership with access to each other's resources, field reach and customers is a very cost-effective model than trying to do it alone"- Industry CEO*

### 8.4 Key Risks

*Figure 9 – Survey response on the main concerns with strategic relationships*




Interview responses to the main risks or concerns with alliance relationships was easy to collate, as there were only two main trends; reputational risk and a one-sided return, combine made up 82% of all responses.

Although the risks themselves don't directly align with the literature review, the findings from the literate review around how to establish and maintain an alliance will help to address both concerns. For example, clear communication, sufficient resources, performance measures, and a sound business plan will remove the largest concern, responsible for 47% of all responses being a one-sided return.

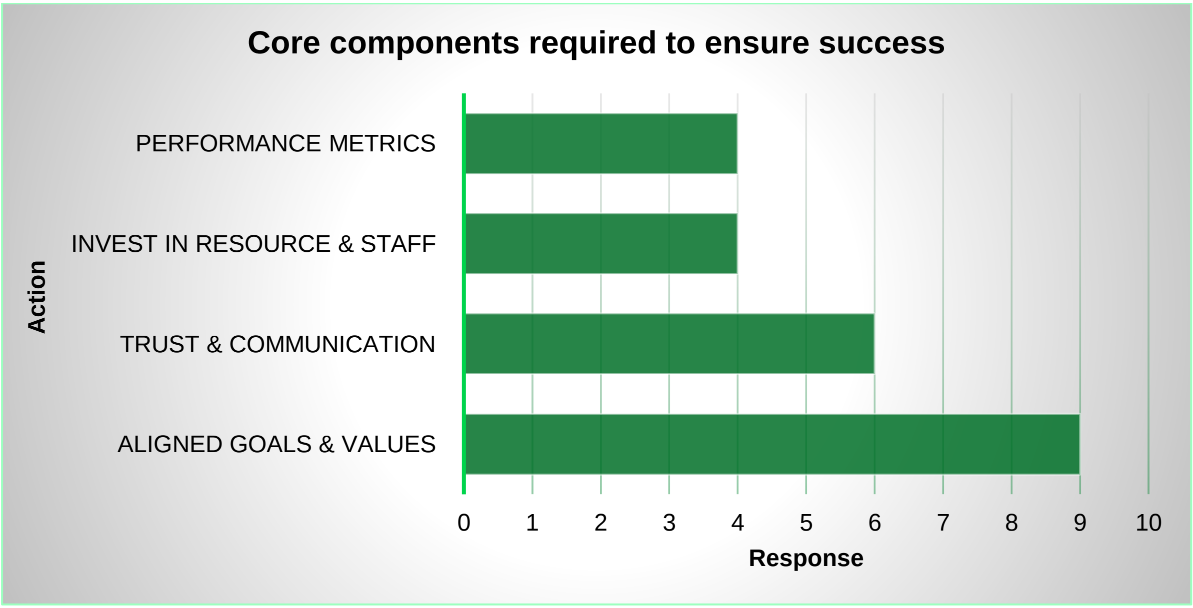
47% of all responses identified a one-sided return as the biggest risk to a strategic alliance. I believe this is directly connected with "adding value" being one of the main objectives for entering a strategic alliance.

30% off all respondents identified 'add value' as an objective for entering a strategic alliance. However, add value as an objective on its own is hard to implement and then measure, so in-return it is not surprising to see a one-sided return emerge as a key concern.

> *"One big risk is that the entities tie their reputations together to some extent when partnering. Anything negative happening to one partner can have a knock-on effect on the partner. If they are too closely partnered, they could start to be viewed as one by some external parties" – Industry CEO*

## 8.5 Keys to Success

*Figure 10 – Survey response on the key actions required to maintain a strategic alliance*




37% of all responses identified aligned goals and values as the most important action to ensure success.

Some of the participants responses I have included under aligned goals and values include; sound business plan, alignment in purpose, aligned goals, clear plan, clear goals, sound planning, understand the purpose.

It is no surprise that trust and communication has scored high, making up 25% of all responses. This aligns with the literature review from the McKinsey & Co. report, with trust and communication being the top two priority areas crucial to success (Rinaudo, 2019).

Some of the responses I have included under trust and communication include; senior and middle management involved, regular contact, on-going reviews, consistently changing, understanding that things change overtime. I have grouped trust and communication together because the actions around building trust comes back to good communication.

Industry statements include:

*"It is crucial to establish a strong business plan between partners, based on trust and on-going communication"*

*"If strategic alliance partners aren't prepared to commit time and resources to fully understand their partner, what makes them tick, and what they view as success, then it is unlikely that the partnership is genuinely strategic and highly unlikely it will be successful"*

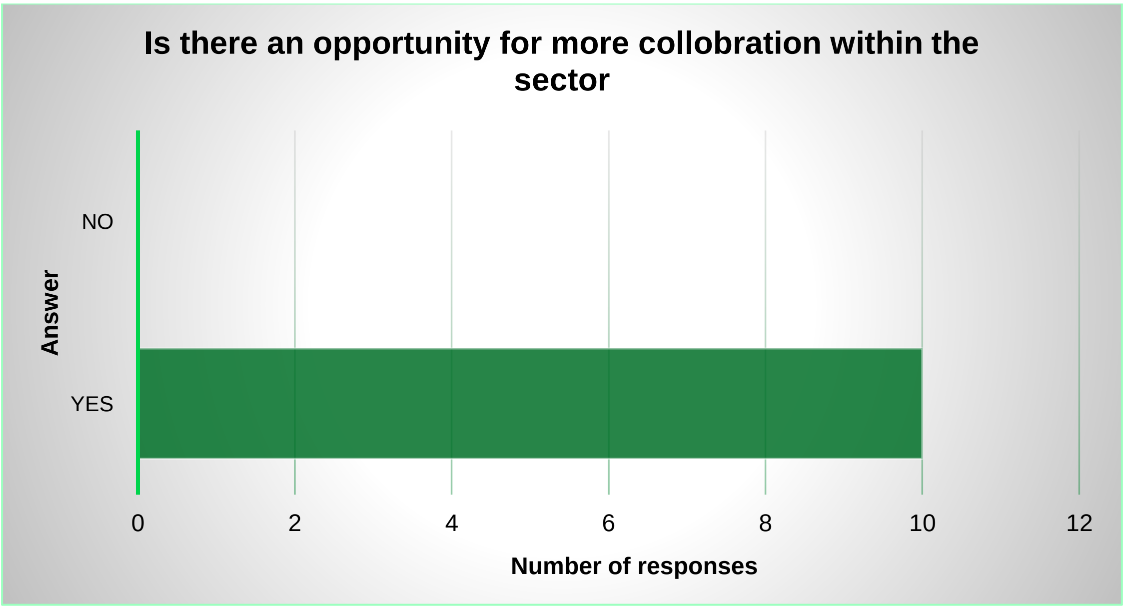
*"You must be aligned and understand what you give and receive in return"*

*"For a strategic alliance to be successful it I important that each entity develops a deep understanding of its partner. This includes understanding its partners key strengths and challenges, and how it views and measures success"*

*"It is difficult to have an alliance that delivers equal value to both partners. This is especially difficult in the short-term compared to a long-term partnership. That is why it is important that the aims and goals of each partner are well aligned"*

## 8.6 Opportunity

*Figure 11 – Survey response on the opportunity for more collaboration within the sector*




The final question in the conversation was "Do you think there is an opportunity for more collaboration in the agriculture industry and do you think alliances are a tool to achieve this?"

100% of respondents believe there is an opportunity for more collaboration in the agriculture industry, in addition all respondents agreed alliances are a tool to achieve this. Other tools to encourage collaboration are forums, leader discussion groups, preferred supply agreements and joint ventures.

An industry CEO said, "Yes alliances are a good tool to use to collaborate because they create accountability". This really captures my own thinking and highlights the role of accountability, which you don't achieve with non-contractual agreements like the Food and Fibre Forums in my opinion.

*"There is a large amount of opportunities for better industry collaboration and alliances are a good platform to achieving this"- Industry CEO*

## 9. Ownership

*"Collaboration across the red meat sector has never been stronger, which will be increasingly important. Now, more than ever, our sector must collaborate. This is critical to our success" - MIA CEO Sirma Karapeeva*

Ownership and implementation is a big component to this conversation and I believe Industry good bodies and cooperatives have a role to play, due to their purpose for existing.

Co-operatives and mutual models are organisations owned and controlled by their members and distribute benefits based on use. Examples include Fonterra, Foodstuffs, Ballance Agri-Nutrients, FMG, and Southern Cross Healthcare Society.

Cooperatives themselves are a form of collaboration. Attempts to set up consumer cooperatives have been recorded as early as the 1840s, the earliest record of a producer cooperative in New Zealand was the Otago Cooperative Cheese Co. near Dunedin in 1871. Eight farmers came together and purchased shares based on the amount of milk to be supplied (Cooperative Business New Zealand, 2019).

Today agriculture cooperatives account for 11% of New Zealand GWP and 39% of New Zealand agriculture exports (Wang, 2017). Research from the University of Auckland shows New Zealand's Top 30 cooperatives and mutual's are very strong in agri-food, accounting for 65% of revenue, 67% of assets, and 82% of employment in the co-operative economy.

## 10. Compliance

A strategic alliance should be structured to benefit both parties while avoiding any illegal behaviour and remaining compliant with domestic and international governing bodies, in-particular the commerce commission in New Zealand.

The commerce commission is responsible for enforcing competition, fair trading and consumer credit contract laws. It has regulatory responsibilities in the electricity lines, gas pipelines, telecommunications, dairy and airport sectors (Commerce Commision New Zealand , 2021).

Strategic alliances cannot be designed to create anti-competitive behaviour. A competitive market help to keep prices down and ensure that the quality of goods and services remain high. Competition also ensures consumers have a range of choices, and firms have incentives to innovate, invest and operate efficiently. Anti-competitive behaviour can jeopardise all of this, as well as a company's ability to win new customers (Zealand, 2018).

It is important that businesses are aware of what they can and cannot do when talking to their competitors. The Commerce Act prohibits anti-competitive agreements between firms such as agreements to fix prices, allocate markets or restrict output.

Part two of the Commerce Act sets out the different types of anti-competitive agreements and behaviour that are illegal in New Zealand. In certain situations however, some or all of the provisions in Part 2 do not apply. This is because sometimes there are circumstances where a type of agreement or behaviour is unlikely to substantially lessen competition. In some cases, the agreement or behaviour may result in public benefits that are considered more important than any anti-competitive effects.

Partnerships (agreements between business partners) are except from part two of the commerce act. Partial exceptions in the act include collaborative activities, vertical supply contracts and Joint buying and promotion agreements (Zealand, 2018).

## 11. Conclusions

Strategic alliances can hugely benefit a business partner, achieving more than they could going in alone. Leaders and decision makers are catching on, and the research from the literature review supports this, showing that the use of business to business strategic alliances is increasing. The more complex and uncertain environments become the more appealing a partnership becomes.

It is crucial to approach new alliance agreements with caution however, as alliances are not easy to manage. A key message throughout this report is that alliance agreements require careful consideration when establishing then require ongoing management. Most issues arise when these steps are not fulfilled or forgotten.

Industry leaders identified aligned goals and values to be the most important component to ensuring on-going success. The literature review found communication, trust, teamwork, resource, and measures to be crucial actions required to ensure on-going success.

## 12. Recommendations

Due to the compounding opportunities a strategic alliance can unlock it is my recommendation that strategic alliances should be considered within any company growth strategy. I recommend having a check list or process in place, with particular attention to 3 key steps:

1) Getting the right partner
2) Have real clarity on your purpose
3) Have a sound business plan

**1) Getting the right partner**

It all starts here. One of the common mistakes businesses make when looking for possible partners is to consider only a few options instead of looking at the whole industry or outside the industry. Companies should use a variety of mechanisms in their search for possible partnership opportunities.

Getting this step right will help to remove reputational risk, as 35% of industry leaders identified this as a key risk to entering a new strategic partnership.

**2) Clarity on your purpose**

You must have real clarity on your purpose for entering a strategic alliance. In my opinion a clear objective is not to simply add value or to increase profit. The reason these are not clear objectives is they do not identify an action and they are hard to measure / track.

You must have clear and mutually understood objectives. You need to understand your company's capabilities and what you can commit and contribute to as a partner. Honestly assess the strengths and weaknesses you bring to the table.

To adequately measure partnership success, you need a measurement framework to generate a progress report. The measurement criteria can be whatever you think is important, but you must have a process in-place that can track the relationship.

Having real clarity on the purpose for establishing a strategic alliance and then having the measurement framework in-place with directly help to reduce a one-sided return, as 47% of industry leaders having identified this as the biggest issue with a strategic alliance.

**3) Sound business plan**

It seems obvious that partners would strive to find common ground from the start, yet in a rush to complete the deal, discussions about company values and aligned goals are overlooked. This is especially true in strategic alliances within an industry, where everyone assumes that because they are operating in the same sector they are already on the same page.

You need a detailed business plan which includes a flexible operating model. It needs to include the right team, the governance and infrastructure to make the alliance work.

A detailed business plan will help to manage differences in systems, processes, and culture, as 18% of industry leaders identified this as a key issue with strategic alliances.

## 13. Bibliography


Agriculture & Horticulture Development Board. (2017). *AHDB Strategy 2017 - 2020.* Kenilworth: Agriculture & Horticulture Development Board.

Beef + Lamb New Zealand. (2018). *Compendium of New Zealand Farm Facts.* Wellington: Economic Service.

Benchmark International. (2019, May 17). *What is a strategic partner*. Retrieved from Benchmark International: https://blog.benchmarkcorporate.com/what-is-a-strategic-partner

Cohen, D. (2014, September 9). *Grow from the right intro report; The value of strategic partnerhsips* . Retrieved from Powerlinx: https://www.powerlinx.com/blog/grow-from-right-intro-strategic-partnerships/

Commerce Commision New Zealand . (2021, March 03). *Commerce Commision New Zealand* . Retrieved from Commerce Commision New Zealand : https://comcom.govt.nz/

Cooperative Business New Zealand. (2019). *History of Co-operatives* . Auckland : Cooperative Business New Zealand.

David Eaves, J. W. (2003 , June 1). *The Relationship Relaunch*. Retrieved from Ivey Business Journal: https://iveybusinessjournal.com/publication/the-relationship-relaunch-how-to-fix-a-broken-alliance/

Emerson, A. (2020, July 27). *ALTERNATIVE VIEW: Could one levy group be the change we need?* Retrieved from Farmers Weekly: https://farmersweekly.co.nz/#

Engelbrecht, W. (2019). *An essential weapon in the growth arsenal.* California: Deloitte.

FMG . (July 2019). *The future of farming and growing in New Zealand* . Wellington .

Garner, J. (2006). *From Me To We* . Mississauga, Ontario: Wiley .

Garnevska, D. E. (2017). *NZ's co-operative economy mapped for the first time.* Palmerston North : Massey University .

Goleman, D., & Boyatzis, R. (2013). *On Collaboration.* Boston: Havard Business School Publishing Corporation.

Henderson, J. E. (2014). *Strategic Partnerships.* Lausanne, Switzerland: Institute for Management Development .

Julia Weber-Rymkovska, J. R. (2017). *Strategic Alliances a real alternative* . London: KPMG International.

KENTON, W. (2019, September 5). *What is a strategic partnership*. Retrieved from Investopedia : https://www.investopedia.com/terms/s/strategicalliance.asp

Lewis, C. (2019, July 26). Levies are killing farming . (F. W. Annette Scott, Interviewer)

Lutz, A. (2014, 02 27). *Briefing*. Retrieved from Business Insider Australia: https://www.businessinsider.com.au/taco-bell-doritos-locos-taco-story-2014-2?r=US&IR=T

Mahoney, D. T. (2001). *International business : a managerial perspective.* NSW Australia: Pearson Education Australia.

Ministry for Primary Industries. (2017). *NZ Agriculture - A Policy Perspective.* Wellington: MPI.

Pellicelli, A. C. (2003). *Strategic Alliances.* ITALY: Faculty of Economics, University of Piemonte Orientale.

PWC Australia . (2014). *The Science of Alliances* . Melborne : PWC .

Rinaudo, R. D. (2019, March 21). *Improving the management of complex business partnerships.* Retrieved from McKinsey & Company: https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/improving-the-management-of-complex-business-partnerships

Roser, M. (2017). *Meat and Dairy Production.* Oxford, England : Our World In Data .

The Business Performance Innovation. (2014). *Grow from the right intro.* San Jose, California: The Chief Marketing Officer (CMO) Council.

Wang, C.-L. (2017). *Agriculture Cooperatives.* Auckland: Auckland University.

Weiss, J. H. (2007). *Simple Rules for Alliances* . Boston, USA: Harvary business Review .

Wolf, P. E. (2005). Collaboration Rules . *Harvard Business Review*, 1-9.

Zealand, C. C. (2018). *Expectations Under The Commerce Act.* Wellington : Commerce Commission New Zealand .

## 14. Appendix 1

**Interview Questions:**

1) Do you currently have any strategic alliances within your business?

2) Have you considered entering a new alliance going forward?

3) What are your main objectives for considering a strategic alliance?

4) As a strategic partner, what do you see as the biggest risks and problems associated with an alliance?

5) From your experience what actions are required to ensure the alliance remains successful?

6) Do you think there is an opportunity for more collaboration in the agriculture industry and do you think alliances are a tool to achieve this?