



### ELEMENTS OF STATEMENT OF INTENT

- Purpose of the alliance
- Scope of activity
- Key objective and responsibilities
- Method for decision making
- Resource commitments
- Assumption of risk and division of rewards
- Rights and exclusions
- Proposed structure of the alliance or venture

The complexity of an agreement will be related to the proposed scope and structure of the venture.<sup>7</sup>

In alliances requiring a legal agreement, partners should strive for a well-written agreement that sets out the purpose, terms, durations, warranties, obligations and other key understandings on which the relationship is based. The agreement should be designed to reinforce the business objectives of the partnership and, at the same time, protect the partners. Some of the best agreements, while setting out clearly articulated ground rules, also leave a lot of contingency room for the relationship to grow and deal with changes.

The following issues should be clearly addressed in a strategic alliance legal agreement:

- contribution of parties
- performance objectives and review process
- implementation plan and speed
- roles and responsibilities
- procedures for adapting to change
- provisions for expansion of activity
- conflict resolution procedures
- provisions for termination
- control (in the case of joint venture)

Companies that have never worked together before may wish to consider a less formal alliance as a first step in the collaborative process. It may be wise to have a narrowly focused agreement to work together on a small project. This allows the partners to see how the two companies interact and establish mutual trust on which to base a broader partnership. Terminating a small alliance that is not working is much easier than trying to disentangle from a large one.

In general, companies should strive in the initial partnership agreement for simplicity in mission and goals. Rather than a complicated contract with multiple goals, it is better to start with simple goals and clearly articulated outcomes and measures of achievement. If all goes well, the partnership can expand down the road. Moreover, simple, well-defined goals on both

<sup>7</sup> For a detailed discussion see LYNCH, Robert Porter. *The Practical Guide to Joint Ventures and Strategic Alliances*, John Wiley and Sons, Inc., New York, 1989, Chapter 9.