The on-going commitment of a champion by each partner firm is essential to the establishment of a successful alliance. For this reason, it is a very good idea to have as many as three champions. Then, if one champion leaves the firm, the formation of the alliance is only slowed, rather than derailed.

It is also a good idea to include people who will actually be involved in the managing of the alliance. It is an opportunity for them to get to know their future colleagues and to help shape and fully understand the structure of the alliance. Some firms have found that such staff are better introduced later in the negotiating process, after the controversial issues have been hammered out, saving them from a conflict between the interests of the parent firm and their own desire to nurture a harmonious working relationship with their future partners.

The members of the negotiating team should meet at least once before entering negotiations. It gives them a chance to get to know each other, to assign roles, and to set goals, strategies, and tactics. Not only will this increase their effectiveness as a team, it also makes sure that the team does not send confused signals to the partner.

Give Yourself a Way Out

It is wise to build exit clauses into the agreement. Clearly defined responsibilities, rights, and procedures reduce tensions. The partners know what is expected of them and know the consequences of breaking up the alliance without careful consideration. Escape clauses become especially important if a conflict arises that cannot be resolved. Unfortunately, too many managers do not familiarize themselves with the terms of the legal agreement until they are in dire need of a way out. At that point, they can only hope then that their lawyers served them well when they drafted the terms of the exit clause. Clearly, management should be aware of the various options and their ramifications under each part of the legal agreement while it is being negotiated. When the alliance has ended, it may well be the exit clause that determines your strategic position.

Most of the legal detail in an exit clause is concerned with the disposition of assets, staff, technology, and patents when an alliance breaks up. In the case of a joint venture, termination clauses either give the right of first refusal to the other partner or they dictate the terms of some kind of shotgun sale. A share price is usually specified in the exit clause since it is easier to be objective and arrive at a fair price when you do not know whether you will be the buyer or seller. It is also possible to leave this sort of arbitration to a third party.

Exit clauses can be formulated implicitly if it is not possible to settle on an explicit one. This means that instead of explicitly defining when an alliance might come to an end, the agreement includes provisions for renegotiation of the agreement if specific sales or profit targets have not been met within a certain period of time.

It is also possible to stipulate the fines a partner must pay to break an alliance unilaterally. But keep in mind, overzealous attention to minute detail can kill an alliance before it gets off the ground, even if complex legal detail is often needed by creditors. Another effective way of protecting financial partners is to establish benchmarks for the alliance. The risks to investors can be minimized by dispensing capital in increments, each of which is contingent on the achievement of technological or other milestones by specified dates.