



# Enabling Transformational Alliances

*Best Practices in Partner Health  
Diagnostics*



**Phoenix Consulting Group**  
PARTNER DEVELOPMENT

[www.phoenixcg.com](http://www.phoenixcg.com) | 1 888 848 9514

# Enabling Transformational Alliances:

## *Partner Health Diagnostic Service*

### *Why do Diagnostics?*

Partners and alliances are a cornerstone of many organizations' growth strategy, but successfully managing growth through alliances takes insight, skills and smart investments.

Many experts and articles on alliance management cite rather dismal success rates. Rates as low 30% and yet, some organizations claim consistent alliance success rates of over 80%.<sup>1</sup> What is the difference between companies that report strong performance from their alliance relationships and those that report that their alliances do not meet expectations?

One of the differences is that companies which have high success rates invest in alliance capability. They do not trust to ad hoc practices or plain luck. They employ tools and practices that enhance their ability to deliver results through their alliance assets. According to one study conducted by the Association of Strategic Alliance Professionals in collaboration with the United Nations University MERIT, the key investments for success are clear metrics and processes for evaluation.

### **A Proven Best Practice**

Partner health diagnostics are a proven best practice for evaluation. They can be configured to yield evaluation of individual alliances, leading to joint evaluations in collaboration with the partner and cross alliance evaluations of the entire alliance portfolio. Diagnostics lend insight into how well an alliance

<sup>1</sup> Association of Strategic Alliance Professionals and United Nations University- MERIT 2007

is functioning in many dimensions, especially in the tangible areas of the relationship.

### **Traditional Metrics Don't Tell the Whole Story**

Metrics give a clear view of whether or not an alliance is performing and how it contributes to corporate value, but traditional metrics can fall short on revealing why performance is what it is. A well-constructed diagnostic goes beyond the metrics and scorecards and discovers where an alliance isn't working and probes the reasons why based on the perceptions and judgments of the stakeholders working within the alliance. It will also reveal the bright spots which give alliance managers an opportunity to leverage what is working and to exploit what might be a competitive advantage. Overall alliance performance can be optimized and companies can better manage their alliance investment.

### **Relationship is Important**

One of the general findings in our diagnostic practice is the importance of a commitment to partnering. The interpersonal interactions between the two alliance teams are a key strength. This is true for operational team members and executive sponsors.

### ***Best Practice Guidance***

*The ultimate goal of a diagnostic is to improve alliance relationships and performance by acting on objective feedback. Answers and responses to the questions lead to an open and actionable discussion on how to improve alliance performance.*

### **Most important tools for alliance success<sup>1</sup>**

"Most striking is that evaluation/measuring stands out as the single most important tool to raise alliance success. Evaluating techniques increase alliance success, but they also are a great tool to learn about alliance management in general."

### **"What is the most successful aspect of your relationship?"**

*"Strong alignment and excellent working relationship with my peers. This is the foundation for the efforts that we're focused on and the results we're seeking."*

*"The trust and openness when it comes to dealing/facing issues"*

There must be a strong working relationship – a high level of trust and mutual integrity. Comments solicited in open-ended questions often lend insight to the relationship. In healthy alliances, we look for a general sense of optimism, good will and a belief there is high potential to be realized in the partnerships. A strong relationship can exist even in those alliances that are experiencing stress in other aspects of the relationship such as in the operational alignment. A general willingness and commitment to work together to resolve the issues is a key relationship asset.

### **Partner Health is not Partner Satisfaction**

Companies which have been recognized for alliance excellence consistently use partner health diagnostics. Eli Lilly is among the pioneers of this practice and has widely published their results. Cisco has conducted partner satisfaction surveys in the past and derived value and insight from these surveys, but has found that the health diagnostic is different and has yielded much higher value than measuring partner satisfaction.

For many companies some of their strategic partners have areas of product overlap. This results in a co-competition scenario, where partners must agree to cooperate where it advances their mutual interest and openly compete where there are similar products or services. Co-competition introduces a certain amount of background tension into the relationship. This is one reason health is a more relevant measure than satisfaction. It may never be realistic to expect to have a satisfied partner in this scenario, but it is reasonable to expect that the alliance functions effectively to accomplish the stated goals of partnership.

To distinguish between a partner satisfaction survey and a health

diagnostic, questions do not ask a partner rate how happy they are with the survey sponsor in a health diagnostic. Instead questions are directed to how certain aspects of the alliance are working such as:

“Do we have a common strategic vision for the partnership?”

“Do we provide more value to our customers together than independently?”

“Are conflicts resolved quickly, realistically, fairly?”

“Does our governance enable us to make good decisions?”

### ***Diagnostic Approach***

Phoenix Consulting Group employs a multi-phase diagnostic approach which includes both quantitative and qualitative data gathering on alliance health attributes. The diagnostic compares both partners' responses. The responses between the two teams can then be objectively compared to determine where there is agreement and where there are disconnects. The disconnects or gaps, not surprisingly, are far more revealing than whether an attribute ranked high in health or not.

### **Joint Evaluation**

Most important is a process for sharing the results with partners and engaging in action planning following the diagnostic. Findings are just information. They don't result in change until you act on them.

Worse, if the findings aren't shared with the partners and no change ensues, the diagnostic can actually backfire. Partners will have an expectation that their feedback is important and will cause change. When nothing happens, partners feel let down and attitudes can worsen.

### ***Transformational Change in Partnering***

For one alliance partner, the partner health process was a revelation that a more formalized way of managing alliances was needed and indeed existed! This particular company has had a rather spotty industry reputation for partnering but with a business model more dependent than ever on close collaboration of key vendors to deliver a quality service, they realized the need to go beyond a vendor relationship. They had come to realize that the value of true partnership is defined by creating something new for the market by leveraging the strengths of each other. This was a transformational change for this company in itself.

Since then, specific changes were made including shifting the alliance focus to creating differentiation and customer value rather than driving pricing considerations.

### Cross Portfolio Evaluation

While the diagnostic does delve into the specific issues and workings of each individual alliance, it also enables us to understand systemic issues, those that affect the entire alliance community and lead us to action on a broader scale that improves alliance performance across the portfolio.

### Third-Party Objectivity and Confidentiality

Many companies seek an outside consultant to conduct the diagnostic. The advantage of working with a third party consultant such as Phoenix Consulting Group is to ensure a confidential and unbiased feedback from partners. A skilled third party is able to elicit confidential and frank responses from interviews and analyze survey data in an objective way. There is also great value in working with a team that has deep expertise in alliances and partnering. We are able to provide insight into issues that a generalist research analyst just looking at statistics would miss. We are able to conduct informed interviews with the executive sponsors and alliance professionals, recognizing key issues and drilling down where researchers without the background would not.

### Operationalizing Health into the Business

We recommend timing the diagnostic to map to your business planning cycle so that alliance managers have the results in time to incorporate remedial actions into their annual business plans and objectives. In this way, alliance managers do not manage a separate performance initiative but integrate the action plans into their way of doing business. Tracking actions becomes operationalized into the life cycle governance and subject to regular business performance review.

*“A+ process”*  
Alliance Director

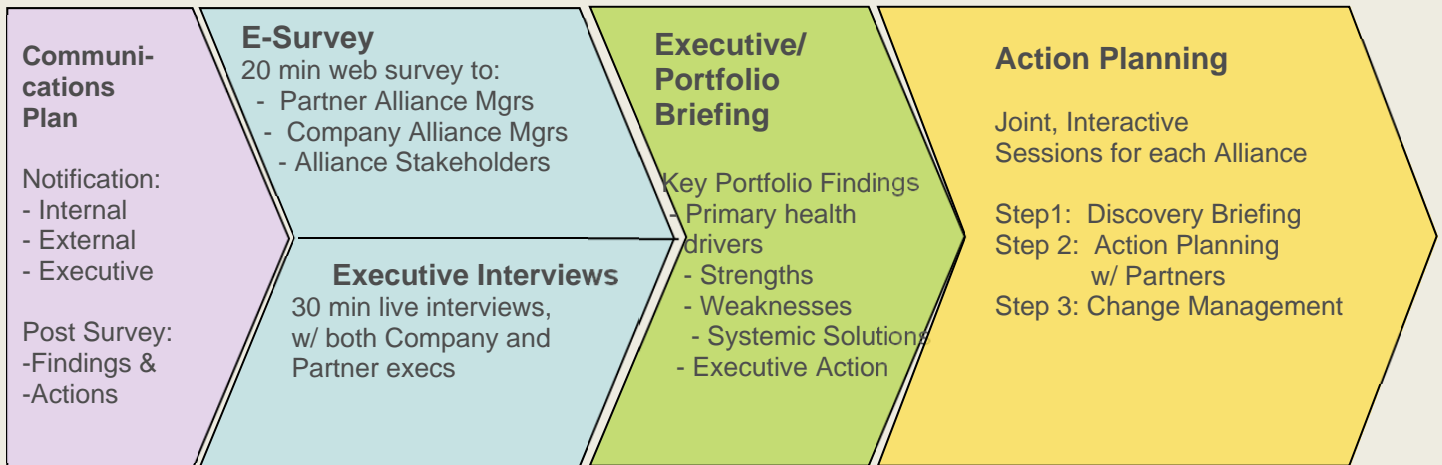
*“Required very little investment on the team’s part for a good return”*  
Alliance Director

### Project Components

The Partner Health Diagnostic is broken into several components:

- ❖ Communications Phase
- ❖ Data Gathering
  - Quantitative e-survey
  - Qualitative executive sponsor interviews
- ❖ Executive Briefing Portfolio Analysis
- ❖ Joint Action Planning

#### Partner Health Diagnostic Components



## Communications

The first phase is the communications plan. The plan addresses both pre- and post-survey communications. It is critical in the pre-survey phase to ensure all partner managers and those on the extended team have bought-in to the process.

One of the first steps is to assemble a cross-geography and cross-functional team of the key alliance stakeholders to help guide the content and the messaging of the communication plan as well as give guidance to the overall diagnostic project to work within the culture of the company and address the needs of the partner community. The steering group meets at major junctures of the process to give guidance, including a post mortem at the close of the project to gather feedback and lessons learned.

Several communications are created targeted to the specific audiences: internal and external alliance team members and to the executive sponsors within the company and the partner organizations. These early communications are designed to gain the support of the alliance teams and set the stage for their participation. Communications should outline the steps in the process so everyone knows what to expect in terms of milestones and time commitments.

Pre-survey communications greatly enhances participant response rates and therefore contributes to the quality of the information that is gathered. Key to this messaging is clear prioritization from the top. Communications requesting support and participation should come from the senior management staff (VP and Directors).

The post-diagnostic communications plan is just as important and often overlooked. It provides feedback to all the participants on the findings and engages them in the actions that need to be taken to improve the alliance.

Post communications fulfills the expectations of the participants that their voices have been heard and this will strengthen relationship, loyalty and commitment to the alliance. Good post communications also engenders support for the next survey.

## Diagnostic Data Gathering

Data is gathered through two methods: a quantitative e-survey launched and administered through the web and qualitative live interviews with the executive sponsors from both sides of the alliances. This yields both an objective numbers approach via the e-survey data and insight into key issues from the executives.

Partner health is examined in multiple dimensions of the relationship: Strategic Fit, Operational Fit and Relationship/Cultural Fit. We also evaluate partner perceptions on Alliance Performance and Priorities.

### *Best Practice Guidance*

*A well designed communications plan can boost participation rate and strengthen partner loyalty and commitment.*

### **Diagnostics evaluate health in multiple dimensions:**

**Strategic Fit** is the degree to which your company and your partner are aligned to achieve the long range goals of each organization. Your goals may be very different, but the extent that the partnership enables each company to attain their respective goals is a good indication of strategic fit and a sustainable, successful alliance.

**Operational Fit** is the degree to which your company and your partner's day to day business practices and policies are compatible, the effectiveness of the system of metrics and rewards, and organizational support to the success of the alliance.

**Cultural/Relationship Fit** is the degree to which your company and your partner share common values, mutual trust, and approaches to conflict management.

**Performance** can be measured in multiple dimensions as well: tactical, strategic and financial. Performance attributes vary greatly with the type of alliance and industry. We included questions that explore Market Impact, Innovative Capacity, Organizational Effectiveness, Competitive Advantage, and Financial Return.

**Priority Alignment** evaluates how your alliance partner sets priorities and makes business tradeoffs.



## Quantitative e-Survey

We leverage the Partner Health Diagnostic service offered through the Association of Strategic Alliance Professionals (ASAP). Phoenix Consulting Group was a major contributor on the task group that created and packaged this tool.

The Partner Health Diagnostic is a standardized package, designed to be easy to deploy and easy to repeat. These characteristics enables year over year trend comparisons of partner health and evolution.

The service includes a library of over 100 questions have been compiled by leading alliance experts and field tested over many years. Questions should be selected over the various diagnostic dimensions and typically a few open ended questions should be included to capture verbatim feedback. Twenty of the questions are designated as benchmark questions. As the diagnostic service accumulates data from multiple diagnostics, companies will be able to benchmark their results against standard measures of performance.

Currently the data base includes diagnostic responses from over thirty bio/pharma alliances and can be used by companies using the ASAP service to benchmark their health.

The e-survey is highly scaleable can be directed to thousands of respondents if needed. The standard packaging allows for ten alliances and 500 respondents. The survey should be brief, less than 20 minutes (approx 40 questions), so that survey fatigue is minimized and completion rate is maximized. Key to generating a strong response rate is continual communications throughout the data collection phase, encouraging and reminding the alliance team members to complete the 20 minute survey.

## Executive Sponsor Interviews

The impact of the earlier communications phase should not be underestimated in gaining active participation from this key constituency. Each executive should receive a request to participate from the Chief Alliance Executive and from the Alliance Manager, each emphasizing the importance of the executive feedback in enhancing alliance performance.

One-on-one phone interviews are scheduled with each executive sponsor concurrent with the e-survey. Interviews are structured to best utilize executive time and gain the most relevant feedback. The interview guide is mapped to similar questions to the e-survey so that an apples to apples comparison can be made between the operational teams' response and the executive perspective. These interviews provide insight and context from these very important stakeholders.

## Individual Alliance Results

Many alliance managers have remarked that the diagnostic findings resonate with their instincts of the state of the relationships. There are few big surprises. However, there is tremendous value in documenting the issues through the diagnostics and quantifying them through the survey analytics. Hard data often gives the alliance managers a mandate and a catalyst for change.

## Catalyst for Change

One alliance used the diagnostic in the first two months to catalyze executive level discussions on what was important to drive the alliance. Survey findings helped to have 'real' conversations with the executive sponsors and resulted in action and recommendations around the key issues:

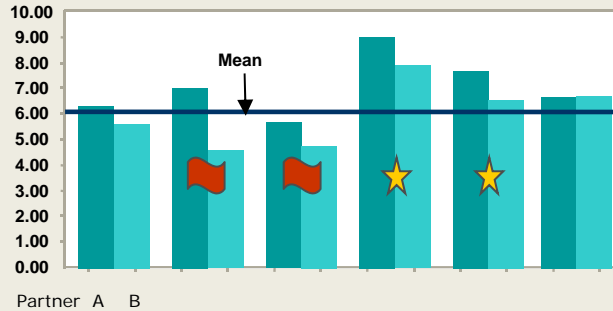
- More strategic, transformational relationship;
- Invest in differentiated solutions or assets
- More appropriate governance that bridged the two partners' business models
- Market the assets created in the alliance through both internal and external messaging
- Adapting business models for consulting vs channel

The resultant new business plan embraced these recommendations and the teams have been working on them since. Both partners invested in building a differentiated offer in alignment with each company's strategies and leveraged the core assets of each partner's business model.

*We had a 90% response rate. The respondents covered a good spectrum of roles and responsibilities in managing the alliance, including both influencers and decision-makers, and gave us a very representative view of what was going on in the alliance. Global Alliance Manager*

Individual analysis is done for each alliance comparing the partner team responses to that of the sponsor alliance team for each question. Items that rate in high health for both teams are marked with gold stars as attributes that could be leveraged as assets of the alliance. Items that ranked poorly or more importantly where there are large differences in team responses are marked with red flags, so that they receive particular attention for action planning.

Sample question rating report



Attributes in good health were marked with gold stars as opportunities.  
Attributes in poor health or where there were differences were marked with red flags for joint problem solving.

### Health Drivers – What really matters?

Not all health attributes are equal. Some have more impact on overall partner health and affect the ability to deliver performance more than others. Quadrant charts are one tool that can help clarify which attributes have the most impact on partner health and will yield the most improvement if addressed. This helps to prioritize and focus the efforts in the action planning workshops.

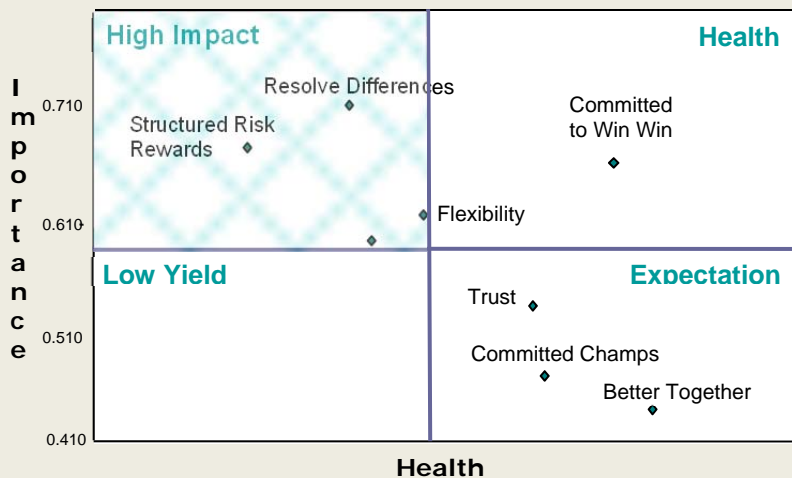
Quadrant charts compare the impact of each health attribute to the overall health of an alliance and then calculates an Importance Coefficient. This coefficient is then plotted against the health rating of the attribute in a 2X2 chart.

Attributes with a high importance coefficient, but a low health rating, fall into the upper left quadrant labeled the High Impact quadrant. These attributes if improved would have the most significant impact on overall partner health.

Attributes that fall in the lower left quadrant could be thought of as the low yield quadrant. They may not be strong but they have a lesser impact on overall health and could be treated as secondary priorities.

Attributes that appeared in the upper right quadrant are important and performing well. These may be opportunities to optimize performance and could be strategic advantages.

Relationship-Culture Fit



Quadrants defined

**High Impact:** Priority #1 improvement opportunities – fix these areas first!  
**Low Yield:** May represent vulnerabilities but are secondary improvement opportunities  
**Healthy:** Maintain current performance; may be marketing opportunities or strategic advantages  
**Expectation:** Review carefully; these may be ‘minimum expectations’ for health and additional resources might not have an impact on these attributes

Curiously, sometimes many of the healthier attributes fall into the lower right quadrant which could be interpreted as unimportant attributes. But it can also reflect minimum expectations of performance. These items are sometimes found to become more important if health is not rated strong.

Trust was found to be one of those attributes that rose in importance if it was not strong and dropped into the Expectation Quadrant when it was.

### *Alliance Action Planning*

Results are first shared with the alliance managers of both partners in a discovery session. It is important in this step to set expectations with the alliance managers and to gain their buy-in to the process. This prepares them for the next step: the facilitated, action planning workshop where both alliance teams participate. This enables the alliance managers to take a position of leadership with the full alliance team in collaborating in joint problem solving.

The process of discovery and action planning creates the linkage between findings and improving alliance performance. This is the activity that creates lasting value from the diagnostic investment by translating information into results.

A facilitated workshop is conducted with *both* alliance teams to review findings and then delve deeper into issues, analyze the situation, identify root causes, leverage strengths, address weaknesses, brainstorm solutions and concur on a plan of action. Action plans are documented, responsibilities assigned for 30, 60, and 90 objectives and integrated into the fiscal business plan for the upcoming year.

Both quick win opportunities are identified as well as long term priorities. Quick wins are those actions that can be simply and easily

implemented and yet yield immediate positive impact on the alliance health and performance. These create momentum and strengthen the alliance working relationship through shared success, setting the climate where tougher challenges can be tackled.

Reporting results and actions back to the alliance executive sponsors is crucial. Highly effective alliance managers have used the diagnostic to drive executive action and solicit important commitments to expand the relationship.

### *Portfolio Analysis*

If data is collected over enough alliances (5-10), there may be ample data to aggregate a diagnostic picture across the alliance community, giving the alliance management team insight on how to optimize the performance of the entire alliance portfolio. We take a comparative view to see how the portfolio ranked in health across each of the diagnostic dimensions. For example, we compare how the alliances compare in overall health, and in strategic, operational, and financial dimensions, in performance perceptions and priority alignment. Through these comparisons, we identify systemic issues that affect all alliances and are best addressed systemically by the management team.

We are also able to do an analysis of what specific health attributes have the greatest impact on overall partner health, helping set priorities on which issues to address first. For example in one engagement using the quadrant chart analysis, we found that decision making and problem solving attributes

### *Best Practice Guidance*

*Findings are just data. Joint action planning translates findings into actions that result in better alliance performance.*

### **Joint Action Planning**

1. Share the findings
2. Analyze the situation
3. Determine root cause
4. Brainstorm solutions
5. Concur on action
6. Assign responsibility
7. Set 30,60,90 day objectives
8. Track progress
9. Share the results

*We have a much better understanding from the top down of the issues that impact the health of our relationship. There were issues that would not have come to light without this process. We have taken feedback and acted on it.*

**Partner Global Alliance Manager**



were consistently appearing in the high impact quadrant across all the company's alliances. This finding allowed senior management to directly address these governance issues across the functional groups working with the company's alliances.

We identify and segment which alliances are the top performers (in terms of health), which are the problem children (many unhealthy disconnects), and which alliances represent potentially missed opportunities.

**Organizational Alignment**

Organizational alignment is a common alliance challenge within most large organizations. It is difficult to align all business units and functional groups to a common vision of the alliance strategic intent. And it has to be accomplished in both partner companies! Alignment can be strong within the alliance management team itself, but doesn't always filter throughout the company functional groups. The diagnostic can segment responses by functional group, enabling alliance managers to see where each function group might be experiencing specific challenges.

In sell-with alliances, organizational alignment needs to extend to the field sales operations because this where the revenue is generated. We find consistently that field engagement and alignment are challenges for most marketing facing, sell-with alliances. help catalyze a change toward more systematic and amicable field alignment by identifying where there are disconnects and creating a fact-based environment to resolve issues.

**Market Impact of Alliances**

Another area of systemic analysis is market impact of alliances. These are attributes related to the ability of the alliance to capture additional market share, enter new markets and better serve customers. These are very

strong indicators of alliance performance and ability to deliver corporate value.

**Priority Alignment**


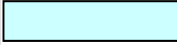





One of the survey sections asks respondents to pick the top three priorities of the alliance. This can yield surprising results as it did for one of our clients. The anticipation based on past surveys was that near-term revenue would be the highest ranking priority. Surprisingly, creating competitive differentiation was the top priority across all alliance teams. This is consistent with the recent business climate emphasizing an imperative to in-source innovation as a driver for growth.

Note the priorities indicated in the example below characterizing the responses of several sell-with alliances. In practice, these priorities can be customized for the alliance type or industry of interest. We have seen marked differences in priorities based on the type of alliances and the functional groups responding.

*"It <the diagnostic> was a little painful as in "sit up in your chair and eat right" painful.*  
**Alliance Director**

*"Our biggest <priority> is strategic advantage. We win big, key deals and long term relationship with customers. We did not sign up for short-term sales"*  
**Alliance Executive Sponsor**

**Priority Alignment across the Portfolio**

Choice	[N]	% of [N]	Graph/Respondents
Creating competitive differentiation	172	76.4%	
Increasing market share	128	56.9%	
Near-term revenue	92	40.9%	
Technology Innovation	87	38.7%	
Creating new markets	85	37.8%	
Reducing risk in customer deployments	44	19.6%	
Reducing time to market	36	16%	
<b>Total Respondents:</b>	<b>225</b>		
<b>Total Responses:</b>	<b>644</b>		

## *Lessons Learned*

### **Alliances that gained value**

Those alliances that developed clear action plans and followed through with governance and accountability to those plans, made great strides in addressing the issues surfaced in the diagnostic. Again this emphasizes the importance of post diagnostic action planning and incorporating change management to ensure actions are taken and tracked.

### **Broken alliances don't fix themselves**

As a practice, we've seen instances where alliances with poor health did not have enough working relationship to turn themselves around. They were unable to leverage the results of the diagnostic, did not implement a "get well" plan and did not manage change. This would point to a conclusion that alliances that have this much internal stress require outside intervention to drive impactful change.

### **Historical Trending**

Since all the e-survey data is stored in a hardened, secure data warehouse, it is possible to do year over year trending on the results. This is an important follow up to the diagnostic process. Once you've gained the insight into what is ailing an alliance and applied treatment, you should retest to be sure you've made an improvement. Common wisdom proscribes repeating the health diagnostic at least annually, but that may vary with each company's business cycle and business conditions.

### **Beauty competitions are not very useful**

One result many of the teams were keenly interested in was how the overall health of their alliance stacked up to the others. How do I compare? While this comparison is provided, it isn't particularly useful because it isn't actionable. The alliance teams were encouraged to view the diagnostic exercise as a tool to enable better alliance performance rather than a grade on their performance. They were encouraged to think constructively to use the diagnostics to highlight and solve issues. The measure that is most relevant is how well they leverage findings into achieving alliance performance.

***Best Practice Guidance***  
*Partner health diagnostics are a tool to enable higher performing alliances. They are not a grade.*

*A better measure of alliance management is how well the findings are leveraged into change.*

### **Stagnating Business Model**

Curiously, we sometimes find an alliance with poor health ratings but still meeting performance metrics – hitting the numbers. This underscores the earlier point made that health diagnostics reveals stress and dysfunction in the alliance that traditional metrics cannot. One might be inclined to ask, "What's the problem?" if the alliance is performing to expectations. But one might also wonder, "What could these alliances have achieved?" if the strain between the teams were resolved? Or, "Is this alliance heading for a breakdown?"

At the one year point when we inquired what changes had transpired with one such alliance, we found that the team was still hitting their numbers but had not made progress on the transformational directions they had aspired to. The team had not followed up on the action planning nor had incorporated any course corrections or change management into their business plan or governance.

The team still felt they were falling short of a truly strategic alliance and had no more than a transactional relationship. The alliance leader felt the alliance had the potential to solve the big problems in the industry and could create a unique position in the market place with visible, shared IP, but as it stood, it was "only a nice piece of commercial business."

At the two-year point, we found that, indeed, this alliance had run aground was in the process of being dismantled.

## Summary

The benefits of partner health diagnostic are clear. Below is a summary of best practices and outcomes from a well-executed Partner Health Diagnostic.

- Alliance performance is improved when the right issues are identified and addressed both systemically across the alliance portfolio and for each individual alliance.
- Partner health diagnostic and action planning are most effective when integrated into the alliance lifecycle governance process.
- Engaging both alliance teams in action planning will build a common sense of accountability to act on the findings and to deliver against the action plan.
- Partner loyalty increases when a company demonstrates they are responsive to inputs.
- Hard data on tough issues and disconnects can catalyze change and lead to transforming an alliance.

*“The Partner Health Survey got us to concrete results. The joint view of what’s going well, what’s not and comparison of gaps was very important to understanding the health of the relationship. I don’t think we have another vehicle to get this. We were able to uncover issues that we otherwise wouldn’t have been able to discover without the comparison of the two different perspectives. This process had a material impact and we incorporated many of the recommendations in our fiscal year plan.”* **Global Alliance Manager**