

Partners in Best Practice

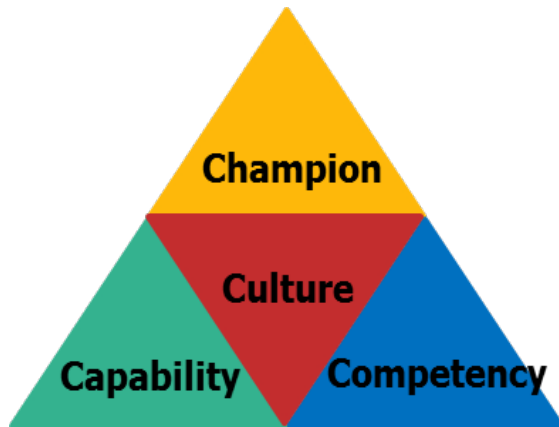
The Secret Sauce for Successful Collaborations

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PARTNER DEVELOPMENT

Successful Collaborations



Partnering and building alliances is the preferred model of business growth for many CEO's. In the IBM 2012 CEO Study, 70% of CEOs plan to partner extensively and indeed the top performers among those CEO's do just that. Partnering leverages the expertise, resources, and talent beyond the walls of a single organization.

Yet many companies lack the fundamental skills, capabilities and leadership to collaborate effectively. We have found in our practice that

successful collaborative business relationships are built upon these ingredients:

Champion – an executive sponsor from each partner of the collaboration to represent company interests and ensure strategic alignment. Going further, to be truly success in collaborations, CEO support is needed to provide air cover for collaborative business models to thrive.

Capability – an organization's ability to systematically manage collaboration through the processes, tools, and best practices of alliance management.

Competency – the skills individual need to apply process and tools but also the soft skills to lead virtual teams, resolve conflict, gain trust, and work productively within partner collaborations.

Culture – the norms, values, and attitudes that underlie partner friendly behavior and supports successful collaboration.

"Alliances are key to Philips to drive growth in a number of important markets and technologies and must have structures, resources and management attention to be successful"

Gerard Kleisterlee – CEO and President, Philips

Champion

Success Begins at the Top

It is hard to overstate the importance of a champion at the senior levels of the organization. Many alliances fail or falter when they lose the executive champion and the role is not backfilled with a strong leader.

The role of the champion is many fold. Champions represent the alliance issues and needs at the senior levels of the organization ensuring that the senior staff is aware of the charter of the alliance and its contribution to company goals. They provide strategic guidance to the alliance team to ensure alignment with the strategic imperatives of the organization. They are often called upon to assist in navigating the organization, making introductions and shortcutting red tape. They also serve as the last point of escalation when conflicts or major decisions arise that exceed the authority of the alliance team to resolve.

Champions also need to be cultural leaders, setting the tone for collaboration and the values and norms that promote a healthy environment for collaboration to thrive. More about the culture for collaboration later but suffice it to say that champions need to demonstrate and foster partner friendly behavior.

"Our vision is simple. We want P&G to be known as the company that collaborates – inside and out – better than any other company in the world."

A.G. Lafley, CEO P&G

A.G. Lafley led a major turn-around at P&G through a highly-celebrated 'Connect and Develop' strategy. He challenged the organization to source half the innovation for new products from external sources resulting in a renewed pipeline of products and fueling the financial comeback of the company. P&G executed on all the fundamentals for managing successful collaborations, but clearly the championship from the top was a critical success factor in that transformational change.

Capability

A Roadmap to Success

Alliance management is in many ways a young profession, but there is a set of defined processes, and practices that have been shown to be effective in creating and operating successful collaborations. Research has shown that companies that approach collaboration through ad hoc practices rarely succeed and those that apply best practices can realize consistently high yields in alliance performance – over 80% success rates.



Successful collaborations apply a lifecycle management approach. The following seven stage framework is promoted through Alliance Management Handbook of the Association of Strategic Alliance Professionals.

Alliance Strategy. It is important to evaluate when greater value can be created through a partner strategy versus a build or buy approach. Collaboration is not always the most appropriate approach to execute on a strategy. Key to developing a sound alliance strategy is understanding your objectives in partnering. Is it to gain access to markets, develop new technologies or products, or create a distribution channel? What are the pros and cons of adopting a partnering strategy versus other alternatives to achieve these objectives?

Partner Selection. Equally important to having the right strategy is having the right partner. Carry out a thorough due diligence in selecting the right partner. Partners are vetted according to their strategic fit, operational fit, and cultural fit to your company. Their sophistication in partnering (and yours) is also a key factor. There is never a perfect 'fit' but savvy partners know how to bridge the differences and work together effectively.

Value Creation and Trust Building. This begins when you first meet your potential partner and continues throughout the life of the relationship. Trust is built through a common understanding and vision for a joint future. It is that alignment that enables collaboration and value creation. As partners work through the business planning process, expectations are fleshed out, relationships are formed, and trust is built. Since alliances are dynamic organizations, this process is ongoing and critical to the end results.

Operational Plan. The operational plan breaks down the details of how the work of the alliance is to be accomplished. The plan describes the roles, responsibilities of the partners, the resources and people who will be assigned to the collaboration and the activities, tasks, and timelines. Most companies are very good or at least competent at operational planning. The partnering twist is that these plans are developed jointly which is why setting up an environment built on trust is crucial to the forward success of the alliance.

Structuring and Governance. Governance includes the formal structure of the alliance, the committees and bodies where authority is vested to manage and provide oversight to the alliance. One can characterize governance as an exercise in balancing trust and control on a fulcrum of risk – risk in performance and risk in relationship. Governance addresses the risk in relationship by managing and melding different work styles. This is done by identifying the different ways of working and decision making, then coming to agreement on how things will be done within the alliance. In a skillfully developed work model, the best of both are incorporated. Since not every eventuality can be predicted and documented in a contract, one proven and useful tool is developing a set of operating principles that codify the joint venture's vision and values and describes desired behaviors to bridge difference in work styles. For example: "We will treat each other respectfully, even when we disagree."

Launch and Management. Up to this point in the lifecycle, the alliance team is usually limited to a small number of people engaged in planning and structuring the collaboration. Launching the alliance involves expanding the team and implementing work plans. One of the key launch events is ensuring alignment of the entire team to the vision and objectives of the alliance, being clear on roles and responsibilities, and communicating the governance model and operating principles. Collaborating on a Team Charter is a powerful exercise in achieving that alignment. The Team Charter captures the overarching purpose of the alliance, its objectives, value proposition for each stakeholder, roles and responsibilities and the operating principles through a co-creative process that builds trust and common cause among the team members.

Another key activity of this phase is implementing a metrics model. A functional metrics system is one of the critical success factors for high performing collaboration. Many collaborations adopt and adapt the balanced score card model. This model advocates that both outcomes, strategic and financial, are tracked and measured as well as leading indicators such as operational metrics and relationship health. Leading indicators are predictive of future success and give partner managers insight into how to optimize performance.

Transformation. Alliances are inherently dynamic; rarely are they static over the course of their lifecycles. The most successful ones are capable of evolution, innovation or transformation to achieve new strategic intents. The ability to successfully adapt to changing conditions is both structural and cultural. Alliance governance that is overly rigid will stifle innovation and thwart efforts to adapt to changing conditions. On the other hand an open-minded and flexible culture will embrace innovation and adaptation.

Competency

The Right Stuff

Collaborative competencies are a distinct set of skills that effective partner professionals have in applying the processes and practices described in the previous section but collaborative competencies also include many 'soft skills'. The soft skills are ironically the most difficult ones, often gained through years of trial and error experience. These include being able to assemble virtual, cross functional teams, leading by influence, gaining stakeholder alignment to a common objective and alignment to the means of accomplishing those objectives. People who work within alliance teams also need to be sensitive to the objectives of their partners and be able to resolve conflicts in constructive ways that leverage differences into win/win scenarios. Change management skills are also key since working with external partners is in itself a change in the way a company does business, introducing new players, new business processes, and a new culture.

Lilly adopted a strategy of developing a 'fully integrated network' of drug development capabilities. The implication is that they bet the company on being able to collaborate

effectively with partners throughout their value chain in discovering new potential drugs, developing them and commercializing them. As a result they committed to a widespread education and skills development program to ensure that all employees who worked with partners had the opportunity to develop the skills and competencies to work within this business model.

"This is a profession not a hobby and requires competent people to ensure success. I have seen in the company where I work, Schneider-Electric, that training our alliance people in alliance management, and then helping them get certified by ASAP has resulted in more successful partnerships. In addition, I have noticed the difference that when we partner with other companies that have invested in alliance management training and certification, we are more successful and can align more quickly."

Alistair Pim, VP Global Strategic Alliances, Schneider-Electric

Culture

What does Partner Friendly Look Like?



Every organization has a unique culture as a result of the norms, values and accepted behaviors that are held within the community. People are often unaware that they do function within a company culture. However, when they begin to work closely with another company culture, they become aware of those differences because of the disconnects those differences can cause. Culture often determines operational processes within companies such as how decisions are made, how information is communicated, or how conflict is managed. Take for example a collaboration between a high-flying startup company and a well-established Fortune 100 company. It doesn't take much imagination to anticipate some of the issues these two types of companies might encounter in working with each other. Organizations skilled at managing collaborations understand how to bridge these cultural differences by first identifying them and then jointly establishing operating principles that govern how teams will interact within their business relationships.

Some companies have cultures that are naturally more supportive of collaboration. The underlying norms and values of these cultures are clues to how to foster a partner friendly environment. Partner friendly organizations are adaptable and are capable of adjusting processes and behaviors to accommodate differences in operations and values. Understanding Win-Win is essential to collaborations: sustainable alliances are based upon value that is created in the partnership and not just value that is divided.

"I came to see at my time at IBM, that culture isn't just one aspect of the game – it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value. Vision, strategy, marketing, financial management – any management system – can set you on the right path and can carry you for a while. But no enterprise ... will succeed over the long haul if those elements aren't parts of its DNA."

Louis V. Gerstner Jr, CEO IBM

About the Author



Norma Watenpaugh is an acknowledged expert in partnering best practices. As Principal of Phoenix Consulting Group, Ms. Watenpaugh leads a team of experts in collaborative business relationships, helping companies achieve profitable results through their strategic alliances, channels and partner programs. Watenpaugh has built bootstrap partner programs in start-up environments and has scaled those programs to handle the needs of large enterprises with thousands of partners, leveraging hundreds of millions of dollars in revenue. Her 25 years of professional experience includes executive positions at Sun Microsystems, Amdahl Corp., and BEA Systems. She has led alliance seminars for Duke Corporate Education, the Reuters Foundation, Digital Vision Fellowship Program at Stanford University, San Jose State Professional Development and many corporate clients.

Norma Watenpaugh has a strong commitment and passion to giving back to the profession of alliance management through her volunteer involvement with the Association of Strategic Alliance Professionals. She serves as a global board member and as former chair of the Best Practices Committee led the organization in developing the profession's first professional certification and in revising and updating the third edition of *The ASAP Handbook of Alliance Management: A Practitioner's Guide*.

About Phoenix Consulting Group, LLC

Phoenix Consulting Group partners with our clients to optimize collaborative business relationships. We help companies accelerate revenue, tap new sources of innovation and open new markets through effective alliances and partner ecosystems. Phoenix Consulting Group was founded in 2002 on the vision that organizational transformation to collaborative business models would define competitive advantage in a global economy. Some of our prominent clients include Adobe, Eli Lilly, Intel, Xerox, Microsoft, Dupont, PayPal, Teva Pharmaceuticals, and Johnson & Johnson.

We draw upon the most current best practices in managing collaboration combined with seasoned, real-world practical experience. Our consultants have many years of executive and partnering experience and have been in your shoes, accountable for results. We understand how to create partnering strategies but also how to implement and how to lead change.