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Fulfil the promise of partnering. Get an Alliance Brand

Done well, alliances hold a lot of promise. Many promises are also made by partners entering into alliances. Sadly, few fulfil their promises. This paper sets out to share what can be done about it to enable organisations to stand out from the crowd and obtain great results in the future. The content is drawn from Alliance Brand: Fulfilling the Promise of Partnering recently published by Wiley and authored by Mark Darby, Founder & Principal of ALLIANTIST.

> *ALLIANTIST defines an alliance as 'two or more partners working together to achieve something that one cannot easily do or chooses not to do alone'. Characteristics of alliances would include a need for collaboration and some form of interdependence, an ability to influence but not control the other party, and an evolving or incomplete contract where decisions affecting the alliance need to be made on an ongoing basis and cannot necessarily be determined at the time any agreement is first written. Trust is also exhibited, but built within appropriate safeguards.*

Context and business challenges

The world of business has changed significantly in recent years. Business is no longer just a zero-sum game and pressures continue to grow on organisations to achieve more success with less resource. Resulting from forces of globalisation, emerging technologies, heightened competition, customer demand, growing risks and an increasing pace of change, there is a movement to alliances and extended enterprises, where organisations collaborate to compete and operate more effectively. Mergers and acquisitions also continually fail to deliver value. Whether it is for reducing costs, growing sales, improving operations or aiding innovation it is a fact that many organisations, regardless of size or sector, now work with alliances and depend on other parties for much of their business success.

But this is not new information. Surveys and reports in recent years have made it clear that alliances are big news. These forces, backed up by the survey results and years of practitioner activity, do indicate there is a need to work more closely with other parties who will undoubtedly have an impact on the organisation's future prosperity, and its competitive advantage, more so than ever before. Regardless of whether the other party is a customer, competitor, supplier, complementor or another department in the same company, a new set of 'rules' has emerged but few understand the changes or how to play the game. Despite the body of knowledge around alliance theory continuing to grow, research indicates that over 50% and up to 70% of alliances fail to meet their objectives. In addition, there is a growing body of compliance and controls legislation that heightens the financial and reputational risks from failure.

Many organisations find it difficult to change and deliver on alliance promises but being capable of partnering is now just the price of entry to the beauty parade, it won't guarantee success in itself.

The choice of who the organisation works with in the future, why, what for, and crucially how, will be the difference between success and failure.

It is not all doom and gloom though. There are a few good examples of winning alliances that generate significant business value in organisations both large and small right across the value chain. Some organisations such as Cisco do stand out from the crowd but they have taken years and significant investments to achieve their results and reputation. How can you get there more quickly and achieve a compelling return on your alliance investments? Get an Alliance Brand. It's as easy as 123 now that ALLIANTIST has identified the three critical success factors, and modelled its Maps, tools and processes around the best known alliance practices and thought leadership.

Why Alliance Brand?

We know the available pool of potential partners is growing and there is greater choice for participants. We also know about the alarming failure rates along with the growing consequences and risks from poor partnering. As such organisations need to get smarter about who they partner with and how they go about it. The importance of having a positive reputation as well as great results for alliances then starts to make sense if organisations want to identify the best partners, as well as differentiate themselves as an attractive partner and organisation that can be trusted to deliver on its promises. Organisations therefore need to get an alliance brand, characterised as having **'a positive reputation and results from its alliance activity.'** Going further it is considered that organisations which have a 'leading' alliance brand will be seen as **"the partner to work with, delivering on its promises and creating superior value for its customers, partners, shareholders and other key stakeholders from its alliance activity."** Picture a full complement of alliance brands as shown in figure I.

Figure I Alliance Brand Matrix
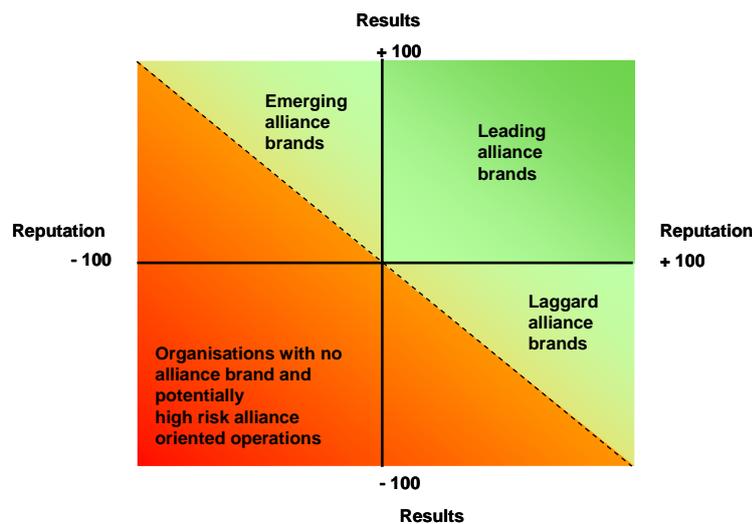
Obtaining an alliance brand is not just a good idea. Evidence exists to demonstrate the tangible results that organisations can enjoy from becoming a leading alliance brand include:

1) Faster time to positive value creation

2) Lower costs of partnering and higher returns from investments

3) Lower risks of partner or alliance failure

4) Improved relationships internally and externally

5) Governance friendly, transparent and auditable processes

6) Improved staff skills, satisfaction and knowledge retention

7) Being seen as the partner of choice in their chosen field and first option for new alliances

8) Increased alliance brand attractiveness

Building an alliance brand

Alliance brands are not built overnight but ALLIANTIST offers a way through for all organisations and it is as simple as 123; three critical success factors (CSF) as depicted in figure II and explored in further depth below.

*Figure II Critical Success Factors leading to alliance brand reputation and results*
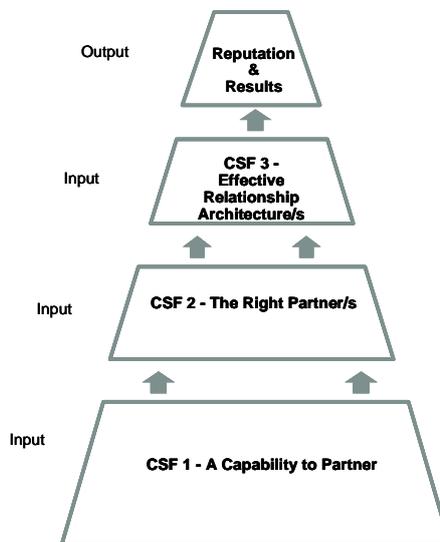
Having a capability to partner is Critical Success Factor 1

Many organisations fail to consider the implications of partnering and don't look closely at their own capability and needs first. Instead they rush out to find partners. In this instance the organisation stands little chance of building meaningful alliances and creating sustainable value. So how would an organisation get an alliance capability, and what are the components of it?

ALLIANTIST VIP Map in figure III sets out the value inflection points (VIP) which are specific areas where organisations either create or destroy value from their alliance activity. It can be seen that whilst there are alliance infrastructure elements that affect success, there are numerous

organisational elements to be considered too. At its most basic, the VIP Map provides a comprehensive checklist to address before embarking on alliance activity. At its most effective, as outlined in detail in the book Alliance Brand, it will guide the review of internal alliance capability and that of partners to help positively transform VIP elements that are not yet optimised and adversely affecting alliance success. The book includes detailed exercises and tools to help address each VIP.

Figure III ALLIANTIST VIP Map

Value Inflection Points occur at both an organisational level….

….and at an alliance infrastructure level
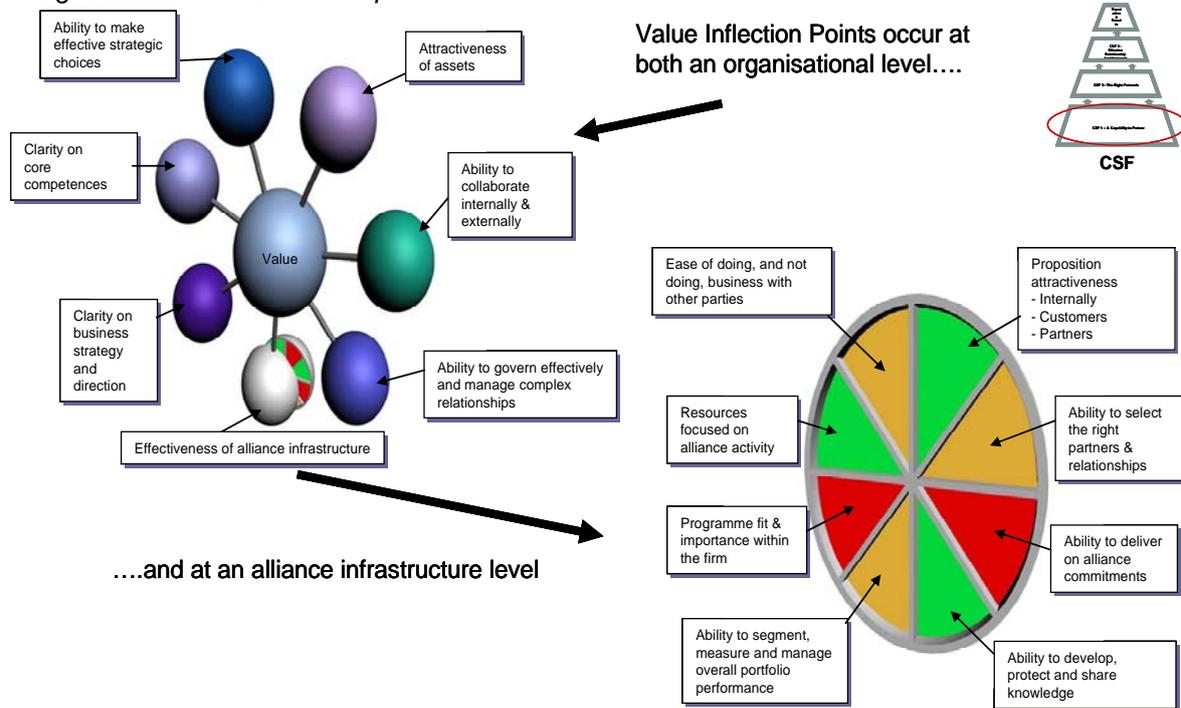
Let's look at just a few elements of the VIP Map at a high level.

Clarity on strategy and direction: It's been said that if you don't know where you are going, then any road might lead you there. Organisations need to have clarity on their strategy and direction because an inability to articulate the strategy and direction of the firm may leave it unable to demonstrate where it will create value and why other parties (customers, partners, staff, investor's et al) should support it on the journey. In addition everyone needs to understand where they fit in. An inability to articulate what is offered and not offered may leave partners confused about whether they should collaborate or compete with the firm.

A lack of clarity on strategy and direction causes problems more frequently than one would imagine, especially for organisations under continual pressure to deliver increasing returns to shareholders. Examples of problems to be avoided in this area include allying away future advantage, retaining activities in-house that are not core, chasing bad revenue or being led by others, frequent changes in strategy and direction, and frequent changes in leadership or control.

Attractiveness of Assets: assets are what you access in alliances and the organisation will implicitly if not explicitly look for those partners with the most attractive assets to meet its needs. It

makes sense therefore that without any attractive assets itself it is unlikely that prospective partners will see the organisation as the partner to work with in a specific area. Just as in selling a house, there is a need to make sure that its assets are presented in an optimal light to encourage interest. However with alliances, organisations cannot get away with cheap and quick makeovers to mask problems like those seen in houses on the TV property shows!

Experience suggests few organisations optimise the way they use their assets in alliance activity and they rarely have consistency in their approaches. Assets can take three broad forms; physical, intellectual and identity related and often the most attractive assets are those which don't have price stickers placed on them. This could leave value on the table for the alliance partner at a cost to the organisation, or a missed opportunity for the alliance overall. Just because alliances are about close collaborative relationships with other parties it does not mean assets should be given away without getting something valuable in return.

Factors affecting collaboration: The Concise Oxford dictionary defines collaboration to be quite simply 'work jointly' and this sums up the essence of an area around alliances that regularly destroys value for business rather than creates it. If only collaboration were that simple in practice; sadly few firms demonstrate effective alliance brand traits in this element of the VIP Map. Organisations that cannot collaborate internally have little chance of collaborating externally. The factors that affect collaboration are shown in figure IV and it is often these factors that get missed in alliance activity.

Figure IV Factors affecting collaboration
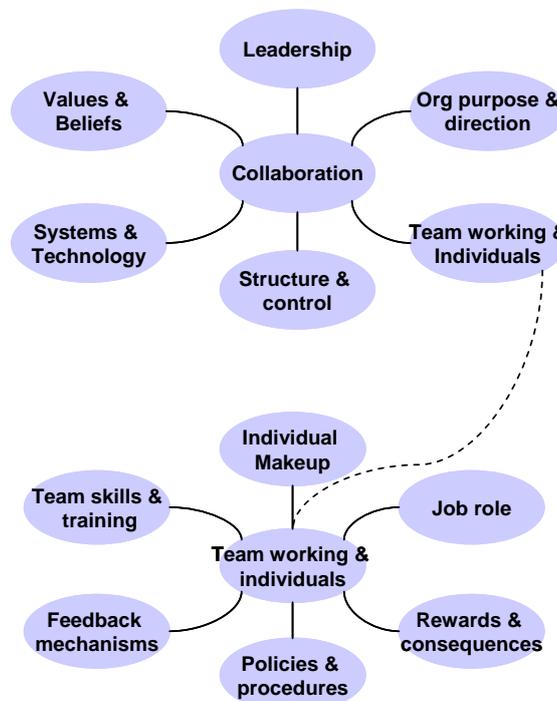
Alliance Infrastructure: having got the other 6 VIP elements addressed, the alliance infrastructure is the foundation for the overall alliance programme. It contains eight interdependent sub elements which are:

1) Ability to segment, measure and manage overall portfolio performance

2) Programme fit and importance within the firm

3) Resources focused on alliance activity

4) Ease of doing and not doing business with other parties

5) Proposition attractiveness for the organisation and its customers and partners

6) Ability to select the right partners & relationships

7) Ability to execute on commitments

8) Ability to develop protect and share knowledge

How explicit and mature these sub elements become in practice should be based on how dependant the organisation is on its alliances both now and in the future, and to what degree the organisation wishes to increase its reputation and results by building leading alliance brand characteristics. Sure-fire signs that deeper investigation into this element is warranted include alliances having a significant impact on business success now or the firm commits to use alliances more strategically in the future yet the infrastructure is not effective. In addition, competitors may be more active with alliances and the industry starts changing shape to the extent your organisation may be locked out from networks in the future. Conflict may also be arising with or amongst existing partners as a result of your organisations actions. Finally, if there is never enough time or resources to meet promises such that alliance results and organisation reputation are put at risk it is time to address the causes.

Building winning alliances

The Alliance Infrastructure element of the VIP Map demonstrates that attractiveness of alliance propositions, ability to select the right partners and an ability to deliver on alliance commitments are an integral part of achieving CSF1. Leading alliance brands therefore have processes, tools and systems in place to enable alliance resources to investigate, create and execute winning alliances. Having the right partners is also CSF 2 and building effective relationship architectures is CSF 3. Only once these three CSF are achieved can the organisation achieve its desired results and reputation from its alliances.

ALLIANTIST ICE Map addresses the two remaining CSF in a holistic fashion whilst working across the alliance lifecycle as shown in figure V.

Figure V ALLIANTIST ICE Map
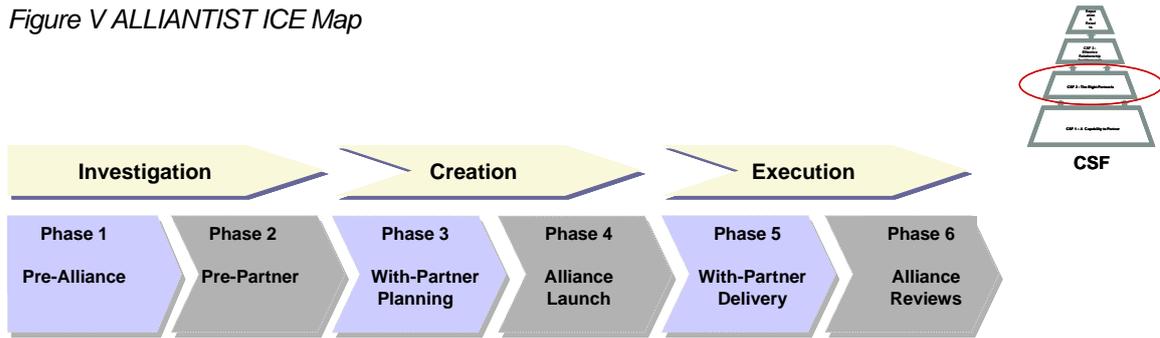
This Map takes organisations through the investigation, creation and execution phases on the journey to alliance success. The ICE Map, like all ALLIANTIST Maps, is a guide, not a straight jacket. The depth of analysis and effort at each Phase should also reflect the value and importance as well as the risks and rewards associated with the alliance activity. All organisations and individuals have a process, even if implicit. The benefit of using a methodology like the ICE Map and its underlying tools is that it focuses effort on the areas that are of real importance, and does so in a consistent, collaborative and efficient fashion so that all stakeholders know where they are on the journey. This leads to improved team working, enhanced decision making and earlier time to better results. A brief overview of the deliverables you should be aiming for at each phase includes:

Phase 1 Pre Alliance: seeks to determine if an alliance is appropriate before committing organisation resources or sharing valuable information externally as alliances are not the only option for achievement of business goals. Aspects to consider at this stage include understanding the forces for the alliance, whether it is the right strategic choice, what the benefits might be for the organisation as well as the keys risks and issues. Effective Sponsorship to go forward is also a key deliverable.

Phase 2 Pre Partner: activities should ensure the right team is in place internally to identify the attractiveness of the alliance rewards and value proposition for the potential participants. It should also optimise the organisation's assets and ensure readiness to execute before making partner selection and commitment decisions. Understanding what the ideal partner characteristics are is fundamental for selecting the right partners. Having crafted the value proposition and understood who does what in the alliance, a great tool for assessing partner characteristics and fit is TOPSCORER which stands for: Technical, Operational, Portfolio, Strategic, Commercial, Outside pressures, Relationship, Environment and finally Regulatory. Using TOPSCORER as part of selection exercise enables a shortlist of partner prospects to be filtered before entering detailed negotiations and moving towards one preferred partner (assuming just one is required) which will then enable achievement of CSF 2.

Phase 3 With Partner Planning: With a mandate to get close to the selected partner much deeper focus and investment is made in this Phase on bringing the alliance to life - together. The alliance idea now needs to move from being the idea of one firm in to the shared passion of both parties.

The parties also need to work closely together and get inside the assumptions to ensure the value proposition stacks up to the degree that makes them both comfortable in making the necessary investments. The degree of openness and sharing exhibited is a good test of the collaborative nature of the relationship. Having worked together to ensure the value proposition is attractive for the end customer and each other, there is also a degree of mutual due diligence to complete. Whilst the organisation should dig deeper into the TOPSCORER Map characteristics and check out areas of concern or validation, so will the partner. It will look to the organisations readiness and therefore any risks or issues highlighted during Phase 1 and 2 will need to have been addressed successfully, else it may threaten the alliance or result in less attractive agreement terms for the organisation.

Having reached tacit agreement, throwing a 300 page contract over the fence to the partner will not enable success. In order to successfully achieve the alliance objectives and deliver effectively, a 'construct' is needed that supports the alliance goals and enables subsequent Phases to be executed as envisaged. This then is CSF 3; the need for an effective relationship architecture to glue the organisations together in the manner necessary for both parties to win. Many organisations talk about the importance of governance in alliances and rightly so, but don't really understand what it means; therefore imagine CSF 3 as governance 'plus'. ALLIANTIST ERA Map addresses CSF 3 and helps pinpoint what relationship architecture is required for success. The ERA Map facilitates achievement of the alliance objectives and mitigates the risk of failure or surprise whilst optimising costs of governance. In simple terms the ERA Map helps the partners' structure the alliance for success whilst taking into account the following points gathered so far:

➢ The alliance and relationship goals & objectives

➢ The strength and maturity of the relationship between the parties concerned

➢ Each partner's ability to execute their commitments

Figure VI ALLIANTIST ERA Map
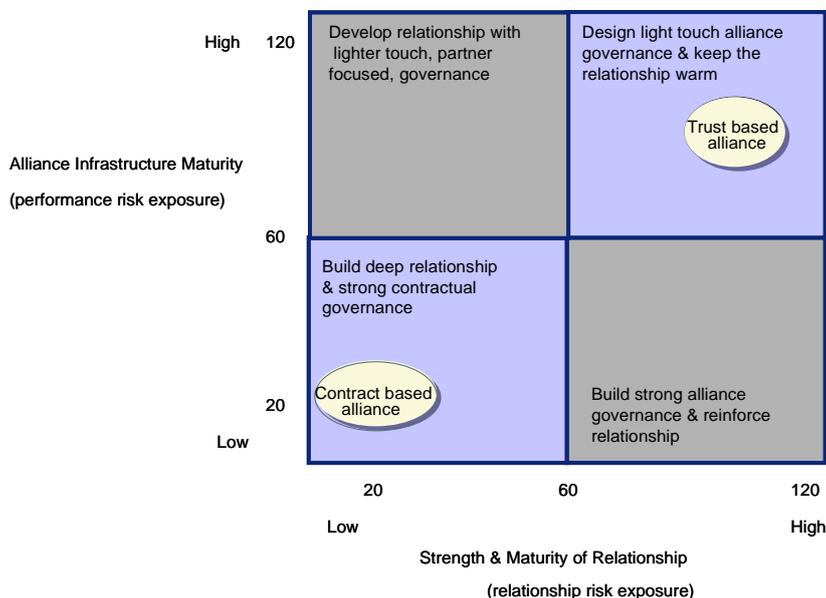
Having determined the position on the ERA Map, the parties can look closely at architecting the ERA necessary for success. So what are the components that make up an ERA? Things to consider including in the design are a relationship business plan, clear governing bodies, the resources needed to manage and execute the alliance as well as co-ordinate touch points back into the parent organisations, any joint policies and processes (e.g. relationship building, reporting, investments, disputes, rewards), and other safeguards such as legal agreements, ground rules, alliance reviews and risk management controls.

Phase 4 Alliance Launch: Phase 4 is the end of the beginning. The hard work really starts now. There is only one opportunity for a successful launch and key stakeholders will be watching closely. Despite popular belief a successful launch includes far more than a press release and in itself can deliver favourable returns if well received by customers, shareholders and interested commentators. Organisations with a positive reputation and capability for partnering have seen share price gains on even announcing alliances. Having done all the preparatory work in Phases 2 and 3 this Phase is about implementation, meaning effective project and change management as well as delivering early alliance successes to generate positive momentum in the future.

Phase 5 Alliance Delivery: Having successfully launched and stabilised the alliance, it moves into delivery Phase. During this Phase there are two key outputs; delivery of the results and management of the stakeholders to ensure results are achieved in an efficient and effective manner. To achieve the desired results and keep relationships healthy, the focus of an alliance manager's time changes over the duration of the delivery Phase and will differ depending on the type of alliance. However there are some common activities as shown in figure VII which implicitly also touch on other Phases offering a constant 'check and balance' that the alliance continues to deliver the desired value.

Figure VII Typical task profile for an alliance manager
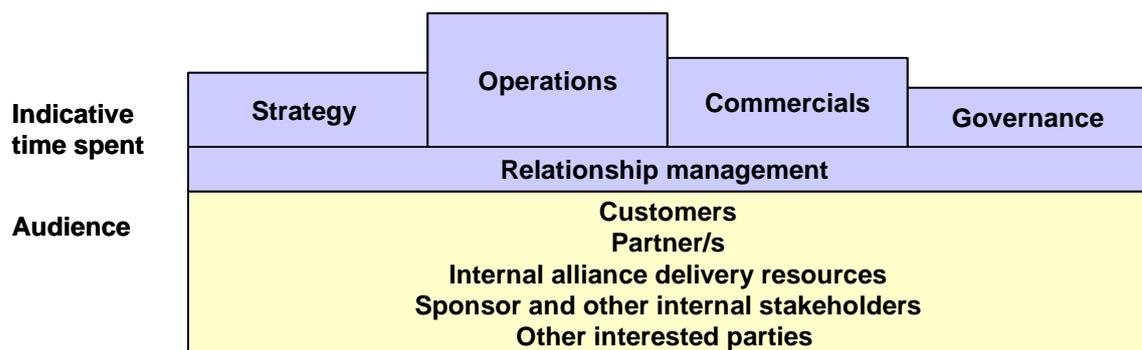
Phase 6 Alliance Reviews: This Phase ensures the alliance continues to produce results for the partners, and where necessary makes course corrections. In reality alliance reviews are conducted during alliance delivery but presented as a separate Phase for ease of presentation and to take into

account that point in time when the alliance ends. During Phase 3 the partners should have agreed ground rules towards both informal and formal partner and alliance relationship reviews. As stated earlier some 70% of alliances fail to meet their objectives, and given the increasing financial and reputational risks from alliance activity, regular alliance assessment is essential. Partner and alliance assessment should be undertaken on a regular basis and many partners would argue they probably do so, especially where new mutually beneficial opportunities arise. However past experience suggests that these types of alliance reviews are not as well structured as they could be, and rarely get to the underlying causes of problems or threats and focus more on one partner than the other. Most effort is expended on looking at alliance results and external factors affecting results such as market or customer activity. Therefore an annual assessment, or six month review for large complex alliances, should be considered which offers a complete review across both partners and the alliance itself. If conducted in a systematic consistent fashion, the assessment can become the baseline for ongoing partner learning and alliance improvement, adding real value to long term collaborations. Assessment should also be considered where the alliance is failing or not delivering in the fashion originally anticipated by the partners. Assessments and reviews should address the causes as well as effects, as demonstrated in figure VIII using ALLIANTIST Partner & Alliance Relationship Assessment (PARA) Map.

Figure VIII ALLIANTIST PARA Map
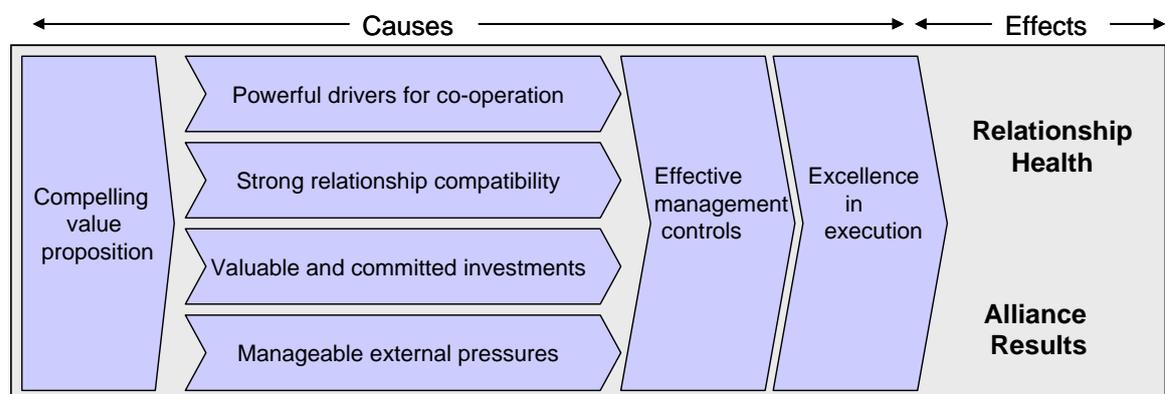
At this stage of the lifecycle the alliance will do one of three things;

1) Continue to mature and deliver well until it reaches its end of life when the parties depart;

2) Succeed and possibly lead to change in relations, such as new alliances, or a merger or takeover;

3) The alliance will fail and despite turnaround efforts, termination is the sensible solution.

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By adopting the three critical success factors as an overarching philosophy and following the VIP, ICE and ERA Maps, organisations and their partners will have the choice of 1) and 2), rather than just 3)!

In conclusion

Being the owner of a leading alliance brand means great rewards and a super reputation for partnering. Being realistic, even though it is as simple as 123 in terms of presenting the CSF, it is not easy to achieve in practice. Indeed reaching alliance brand status is tough in itself and not for the uncommitted, but to make an omelette one needs to break a few eggs in the process. However, if that sounds too scary and you do what you always do, you'll get what you always got. If that means the organisation does not have don't have the right people, processes, tools and systems in place for the future it will destroy value, not create it.

Imagine how your organisation might look with an alliance brand. What would the potential benefits be and where would you start? Take the free Alliance Brand quicktest at www.ALLIANTIST.com. It will help you identify obvious areas of strength, weakness, opportunity and threat, enabling you to consider what improvements might be necessary and the likely costs and benefits. To understand more about Alliance Brand and ALLIANTIST Maps, tools, exercises and real life cases, buy the book from amazon.co.uk now.

About ALLIANTIST

ALLIANTIST is an alliance solutions provider that enables organisations to get measurable benefits from their partnering and alliance activity.   We help clients create real value from the way they work with internal colleagues, alliance partners, suppliers, distributors, customers, and even competitors. Our offerings include training and advisory solutions based around ALLIANTIST Maps and models. ALLIANTIST Partner & Alliance Manager (PAM) ™ software also puts the tools for success in the hands of the alliance manager and enables even faster access to those benefits in a sustainable fashion with a compelling ROI. PAM is built by alliance professionals for alliance professionals.

To understand more about ALLIANTIST, or the book Alliance Brand: Fulfilling the Promise of Partnering, go to www.ALLIANTIST.com, or contact Mark Darby at mark.darby@ALLIANTIST.com or +44 (0) 7795 237747