Principle of Allied Effort

“That which one man can accomplish single handed, during an entire life-time, is but meagre at best, no matter how well organized that man may be, but that which one man may accomplish through the principle of alliance with other men is practically without limitation.”

Partnering Defined

“Partnering is the Process of Two or More Entities Coming Together for the Purpose of Developing Synergistic Solutions to Their Challenges.”

“Partnering is about People”
While the usage of partnering alliance relationships is growing dramatically, the use of formal alliance tools, practices, and management is not. Unfortunately, much value is being left on the table.
Collaborative Network
What Partnering Isn’t

• Quick Fix
• Instant Gratification
• Flavor-of-the-Month Management Strategy
Alliance Alchemy (formula); Turning Relationships Into Gold

1. Seven **steps** for developing successful collaborations.
2. Three behavioral **keys** for collaboration success
Seven Steps for Smart Alliance Development & Implementation

1. Monitor
2. Educate
3. Select Alliance Type
4. Organize
5. Agreement
6. Implementation
7. Maintenance

Research & Acquisition
“Find It”

Corp. Biz Development
“Get It”

Alliance Management
“Create Value”
Blue Oceans Vs. Red Oceans

Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant

Cirque du Soleil: Founded in 1984 by a group of street performers. Cirque has staged dozens of productions seen by some 40 million people in 90 cities around the world. In 20 years, Cirque has achieved revenues that Ringling Bros. and Barnum & Bailey—the world’s leading circus—took more than a century to attain.

Harvard Business School Press
Step #1 Monitor; Determine Reasons and Need for Partnering Alliance

- Share Risk
- Co-Branding
- Cross Promotion
- Affinity Programs
- Fending off Competition
- Distribution
- Buying Parity
- Research & Technology
- Serving National Customer
- Increase Service Capabilities

More at: www.Rigsbee.com/dsa1.htm
Partnering with Competitors

- Northrop Grumman & Lockheed Martin
  - Joint Strike Fighter--US Pentagon plans to buy 2,500 over the next 20 years ($276 Billion)
    - F-35A for Air Force, replaces F-16 & A-10
    - F-35B for Marine Corp, replaces F/A 18 & AV8B
    - F-35C for Navy, replaces F/A-18
  - Fuselages built in California by Northrop Grumman
  - Final assembly by Lockheed Martin in Texas
  - Costlier materials but $5 Billion savings per unit
## Competitor Alliance

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthening the business &amp; market share</td>
<td>• Exposing your technical know how</td>
</tr>
<tr>
<td>• Cost savings</td>
<td>• Losing potential market share</td>
</tr>
<tr>
<td>• Sharing technology</td>
<td>• Power struggle</td>
</tr>
<tr>
<td>• Capital availability</td>
<td>• Potential loss of human resource</td>
</tr>
<tr>
<td>• Good products &amp; services to customer</td>
<td>• Difficulty in managing balance</td>
</tr>
<tr>
<td>• Becoming more efficient &amp; productive</td>
<td>• Branding conflicts</td>
</tr>
</tbody>
</table>
Step #2 Educate; Cultural, Operational and Strategic Differences

• Cultural: How compatible are the management teams and cultures?
• Strategic: How well aligned are the partners’ objectives?
• Operational: How complementary are the business models?
• Why collaboration is in the best interest of the organization and the persons working for the organization…
Beginning Relationship Development

- Gaining internal approvals
- Evaluating the candidate
- Positioning your company
- Developing trust with the corporate culture
- Understanding the partner's corporate culture
- Corporate, individual, and project personality diagnostics
- Gathering details on market/sales
- Gathering information on R&D
Step #3 Select Alliance Type/Structure

• **Basic Alliance** (Casually Access Various Arising Opportunities)
  – New Programs Affecting Several Stakeholders

• **Formal Strategic Alliance** (Partners Retain Identities)
  – Co-Branding Relationship (Duo Logos & Names)
  – Service Exchange

• **Strategic Sourcing Relationship**
  – Vendors/Suppliers
  – Service Agreements
  – Consolidation of Jurisdictions

• **Joint Venture** (New Organization & Identity)
  – Joint Service Agreement
  – Public-Private Partnerships

• **Strategic Reseller Relationship**
  – Educational Programs, Dealers, Distributors or VARs

• **Licensing Agreements**
  – Certification
Understand Alliance
Buying/Acceptance Motives

1. Profits or Gain
2. Fear of Loss
3. Comforts and Pleasure
4. Avoidance of Pain
5. Loving and Affection
6. Pride and Prestige
Step #4 Organize Your Collaboration: Partner Due Diligence

- Research: Suppliers, Stakeholders, Departmental Silos, Internet, Through SWOT
  - Offering Partner
  - Alliance Offer
  - Counter Offer
  - Accepting Partner

- Alliance, JV, Strategic Sourcing Agreement

- Research: Suppliers, Stakeholders, Departmental Silos, Internet, Through SWOT
Relationship Due Diligence

• In the past relationships with this partner, what has been the quality of the working relationship?
  – Positive
  – Negative
• What is the company’s conflict resolution style?
  – Avoid
  – Engage ineffectively
  – Engage effectively
• What is the company’s decision-making style?
  – Hierarchical
  – Consensus-driven
• What is the company’s information sharing style?
  – Open
  – Closed
• What is the company’s operating style?
  – Process-driven
  – Ad hoc
• Etc.
“What Kind of a Partner am I?”

Assign each a 1 to 10 rating and total:

- Wants to win.
- Responsible for his/her own success.
- Is an active listener.
- Understands and cares about what drives partner’s business.
- Responds well and acts on feedback.
- Flexible, especially when the unexpected occurs.
- Trustworthy and has integrity.
- Seeks win-win situations and solutions.
- Understands that Partnering is a relationship of interdependence.
- Great Chemistry!

Your Total (1 to 100)

www.rigsbee.com/quiz.htm
Partnering Roadblocks

- Partners having conflicted core values. Issues like trust and integrity. Corporate culture clashes, employee turf protection, and resistance of some employees to new ideas can reek havoc on your alliance efforts.
- Relinquishing some control with the expectation of greater shared returns can be a difficult waiting game.
- One partner not completely embracing the principles of partnering at the top level or even in departments, divisions or regions while the other does.
- Underestimating how much time, energy and resources will be necessary to commit to your new alliance.
- Complacency, is an insidious relationship-killer.
- Difficulty in communicating.
- When unequal dependence in a relationship occurs, the partner with the least dependence could be less likely to compromise and put energy into the relationship.
Step #5: Reaching the Agreement

- Final decision and evaluation of strategic partnership objectives:
  - Determining if the partnership meets the objectives
  - Balancing the human dimension with the business issues
  - Creating a negotiation and agreement strategy
  - The lawyer's perspective; see Checklist
Step #5 Agreement/MOU

- Legal issues
- Tax issues
- Pricing issues
- Payment structure variations
- Audit rights
- Information rights
- Confidentiality issues
- Exclusivity variations
- Performance assurances
- Right to cure variations
- Term of agreement
- Termination issues
- Condition of default issues
- Post-termination issues
- Assignment issues
- Warranty & liability issues
- Ways to hedge commitments
- Indemnification options & issues
- Remedies
Step #6 Implementation

• **Systems (alliance nuts & bolts)**
  – Systematic Alliance Relationship Launch
  – Shared & Different Protocols
  – Joint Governance Meetings
  – Day-to-Day Decision Culture Consensual or Hierarchical?

• **Measurements**
  – Alliance Goals
<table>
<thead>
<tr>
<th>Tools</th>
<th>Europe</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best alliance practices</td>
<td>80%</td>
<td>68%</td>
</tr>
<tr>
<td>Alliance database</td>
<td>55%</td>
<td>60%</td>
</tr>
<tr>
<td>Alliance handbook</td>
<td>33%</td>
<td>40%</td>
</tr>
<tr>
<td>Alliance management is part of the management development program</td>
<td>29%</td>
<td>36%</td>
</tr>
<tr>
<td>Alliance metrics</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>Competency framework for alliance manager exists</td>
<td>41%</td>
<td>41%</td>
</tr>
<tr>
<td>Cross-alliance evaluation</td>
<td>53%</td>
<td>48%</td>
</tr>
<tr>
<td>Culture program</td>
<td>33%</td>
<td>26%</td>
</tr>
<tr>
<td>External alliance training</td>
<td>32%</td>
<td>47%</td>
</tr>
<tr>
<td>In-house alliance training</td>
<td>51%</td>
<td>48%</td>
</tr>
<tr>
<td>Individual evaluation</td>
<td>82%</td>
<td>81%</td>
</tr>
<tr>
<td>Intranet</td>
<td>71%</td>
<td>73%</td>
</tr>
<tr>
<td>Joint business planning</td>
<td>80%</td>
<td>84%</td>
</tr>
<tr>
<td>Joint evaluation</td>
<td>75%</td>
<td>74%</td>
</tr>
<tr>
<td>Partner portal</td>
<td>60%</td>
<td>68%</td>
</tr>
<tr>
<td>Partner programs</td>
<td>69%</td>
<td>77%</td>
</tr>
<tr>
<td>Standard partner selection approach</td>
<td>67%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: ASAP’s Second State of Alliance Management Study 2007
Ten Key Corporate Capabilities

- Building & maintaining internal alignment
- Evaluating & considering relationship fit with potential partners
- Building strong working relationships while negotiating optimal deals
- Establishing common ground rules for working together
- Having dedicated alliance managers
- Having collaboration skills in alliance employees
- Having a collaborative corporate mindset
- Managing multiple relationships with the same partner
- Auditing alliance relationships
- Managing changes that affect alliances

Source: Vantage Partners 2001 & 2006 survey; Managing Alliance Relationships: Ten Key Capabilities
Lilly (Pharmaceutical) Three-Person Alliance Management/Implementation Team

**Alliance Champion**
- Usually a senior level executive charged with, among other activities, to facilitate and ensure communication between Lilly and its alliance partners

**Alliance Leader**
- Technical leader, project manager or senior person with intimate knowledge of alliance area of activity; responsible for day-to-day leadership of the alliance

**Alliance Manager**
- Represents the OAM, the executive’s primary duty is to support the alliance leader and act as an advocate for the alliance (one person is Alliance Manager for several alliances)
Measuring and Evaluating Results

- Selecting options and assigning responsibility (alliance group, corporate or business unit, supplier team)
- Analyzing opportunity and team formation
- Organizational competency centers and team formation
- Tactical planning and execution
- Operating and governing the alliance
- Stabilization and review--issue and conflict resolution
- Termination Issues
- Benchmarking survey results
Step #7 Maintenance
(Early Measurement of Progress and Cooperation)

• Unspoken Clash Over Strategic Direction
• Jointly Define & Promote Behaviors Considered Consistent with a Successful Relationship.
• Do Not Allow the Unique Competencies of Each Partner to Become Sources of Resentment Rather than Success Enablers.
• Embrace Different Complementary Strengths, Especially in Areas of: Technical Expertise, Culture, Business Model, & Knowledge of Market Segments.
• Do Not Allow Formal Governance Structures to Discourage Collaborative Behavior.
Relationship Value Updates

• The value I’m getting from the relationship.
• The Value I think you are receiving.
• Improvement Strategies

Survey Question Areas: Lilly’s Voice of the Alliance

**Operational Fit:**
1. Communication
2. Decision Making
3. Leadership
4. Performance Management
5. Roles
6. Skills/Competence
7. Team Coordination
8. Conflict Management

**Cultural Fit:**
9. Flexibility
10. Knowledge Management
11. Organizational Values

**Strategic Fit:**
12. Commitment
13. Strategy
14. Trust/Fairness
<table>
<thead>
<tr>
<th>How HP Perceived Itself</th>
<th>How Microsoft Perceived HP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative partnering mind-set—looks for the greater good</td>
<td>A non-player in services</td>
</tr>
<tr>
<td>Reinventing—trying to get more focused under new CEO’s leadership</td>
<td>Falling behind its competitors</td>
</tr>
<tr>
<td>Disciplined—takes long-term, mature approach to evaluating market opportunities</td>
<td>Slow, bureaucratic—a laggard</td>
</tr>
<tr>
<td>Win-win partnering—actively seeks the other company’s wins</td>
<td>Unable to execute consistently and predictably</td>
</tr>
<tr>
<td>Flexible—looks for creative deals</td>
<td>Conflicted sales strategy in the field</td>
</tr>
<tr>
<td>How Microsoft Perceived Itself</td>
<td>How HP Perceived Microsoft</td>
</tr>
<tr>
<td>Competitive, fast moving, and entrepreneurial</td>
<td>Excessively competitive and confrontational</td>
</tr>
<tr>
<td>“Our products are changing the world in profoundly positive ways”</td>
<td>Controlling, paranoid, and greedy</td>
</tr>
<tr>
<td>Center of new economy</td>
<td>“Win—don’t care” partnering mind-set</td>
</tr>
<tr>
<td>Focuses on objectives and assumes others do the same</td>
<td>Focused only on the deal</td>
</tr>
<tr>
<td>Misunderstood: The world doesn’t realize what positive things the company does for everyone</td>
<td>Packaged-software mentality—commoditizes everything, even partnering</td>
</tr>
<tr>
<td>Brings partners into deals, expecting they will be grateful and go get the business without continued hand-holding</td>
<td>Doesn’t get it—doesn’t know what it takes to sell professional services to an enterprise customer</td>
</tr>
</tbody>
</table>

Instead of Eliminating Differences, Leverage to Create Value; Hewlett-Packard & Microsoft Collaborative Effort:

Today, more than 14 million Microsoft Exchange Server 2000/2003 user seats are under contract through HP Services

Turning point came when alliance executives began systematically documenting differences between the companies and then held working sessions with team members to discuss how those differences might benefit the alliance.

Maintaining Alliance

- Educating employees to buy/own the idea
- Long-term relationship
- Additional alliances
  - Regular meetings
  - Multiple alliance tracking
- Developing an integration/management plan
- Using human resources effectively
- Establishing lines of communication
- Reevaluation of alliance legitimacy and viability
- Realigning expectations
- Managing change in the alliance
- Alliance scenario building
- Alliance structure and governance
Three Behavioral Keys for Turning Relationships Into Gold

1. Getting Things Done vs. Being Right
2. Relationship Bank Deposits
3. Purposeful Communications
3 Keys for Turning Relationships Into Gold

Behavior #1

Getting Things Done vs. Being Right

1. Getting Things Done vs. Being Right
2. Relationship Bank Deposits
3. Purposeful Communications
“It’s more important to be a good partner and get things done, than to obsess on BEING RIGHT!”

–Ed Rigsbee
I’m Right
3 Keys for Turning Relationships Into Gold

Behavior #2

Relationship Bank Deposits

1. Getting Things Done vs. Being Right
2. Relationship Bank Deposits
3. Purposeful Communications
Relationship Bank Deposits

- Emotional
- Physical
  - Unrestricted
  - Controlled
  - Strings Attached
Over 100 of Ed’s helpful articles are available for download & Reprint at:

www.rigsbee.com/morearticles.htm
Perception

“My only reality is the conversation I have with myself about you.” -Ed Rigsbee
Suppliers Say About Buyers (BSCAI)

• **Fear of commitment**
  - “They are not willing to single source but still want our total bundle of value-added resources at no additional cost.”

• **Operations level support**
  - “We get commitment from top management but the program gets derailed at the operations level.”
  - “Top management is reluctant to mandate changes to operations...they try to build consensus but it doesn’t happen.”

• **Communication breakdown**
  - “Everyone is so busy we only communicate when there is a need for fire fighting...hence the relationship takes on a negative tone over time.”
  - “We never discuss mutual opportunities...it’s always, How do we fix what isn’t working?”

More at: www.Rigsbee.com/ps1.htm
ABCs of Buy/Sell Relationships

• Adversarial (Traditional Win—Lose)
  – Playing Hardball
  – Commodity Selling/Buying
  – Single Transactions

• Barometric (Always Measuring Atmosphere)
  – Some Partnering Success, Still Working on Trust

• Complementary (Partnership)
  – Circles of Interest Overlap
  – Work in Harmony
  – Vendor Managed Inventory
  – Single Source

www.rigsbee.com/ps4.htm
The Relationship Continuum

Adversarial
(Transactional - Few Deposits)

Complementary
(Transformational - Many Deposits)
3 Keys for Turning Relationships Into Gold

Behavior #3

Purposeful Communications for Overcoming Conflict

1. Getting Things Done vs. Being Right
2. Relationship Bank Deposits
3. Purposeful Communication
Recent Rigsbee Research Survey

- **28% Communication ✓**
  - 20% Follow up/Follow through
  - 17% Changing the behavior of others
  - 9% Truth, honesty & responsibility
  - 8% Training issues
  - 5% Time compression
  - 5% Customer issues
  - 4% Conflict in dealing with personalities
  - 4% Conflicting goals
Communicating to Deal with the Relationship Challenges

- Hidden Agendas
- Trust
- Unrealistic Expectations
- Poor Communication
- Culture Clashes
People do not change after marriage! What you see is what you get.
Thank You

• Access all Ed’s partnering articles at:
  www.rigsbee.com/morearticles.htm