Making Strategic Partnering Work

… It's not unlike personal relationships…

The Diverse History of Partnering

In all countries and most industries, businesses have been entering into partnering relationships to achieve a strategic advantage for the last several years with varying levels of success. These partnerships have taken many forms such as strategic alliances, strategic partnerships, business alliances, reseller and distribution channels and marketing channels.

Many of these relationships fail to meet the outcome expectations of the partners, frequently, without apparent explanation. The companies involved often leave the failed partnership behind them and move onto the next relationship only to experience similar results. An analogy can be drawn with the pattern of some personal relationships – like some stereotypical serial marrying celebrities.

We have all experienced some good partnerships that have established a healthy level of run-rate revenue ie the revenue that will keep coming in even if we don't do anything different. The challenge is usually in achieving incremental revenue above the existing status quo. Things might be working "okay" but it's the potential growth that is not being capitalised on.

What is happening again and again is that organisations are not getting the basics right in partnering, nor following through with the appropriate relationship management. What's more is that they are not analysing their past partnerships to determine what went wrong and learn from it – as sometimes happens in personal relationships too.

Take a moment to consider:

- ▪ *What percentage of your partnerships would you regard as successful?*

- ▪ *What have you learned from the ones that weren't?*

Why are we Partnering anyway?

It is important to remember why these partnerships are being formed in the first place. It is in response to the competitive pressures of change, uncertainty, technological threats and opportunities. Management of this change is the essence of sustaining a competitive position in the ICT industry.

The companies that maintain a business advantage have:

1. The ability to influence and determine the market structure and, hence, shape the competitive playing field.

2. The capability to build and maintain loyal customer relationships.

3. The drive to maintain competence in innovation.

4. The ability to harness and effectively utilise a network of resources external to the company.

How would you rate your company on the above four capabilities?

These characteristics all revolve around building engaging relationships – with customers, employees and other companies in partnering engagements. These partnerships involve the complementary meshing together of the personalities of the individuals from each company involved to achieve a successful partnership.

Ideally, these relationships are given time to 'flower' and develop a culture that will support and enhance the partnership, just as is necessary in any personal relationship. Today's business environment utilises partnerships as strategic tools but unfortunately, in most cases, time pressures do not allow the time required for the natural development of the relationship.

Many partnerships are based on short-term tactics that are insufficient to drive them to a successful goal. They are faltering along the way due to breakdowns in the management process. It is like having a one-night stand and expecting a marriage to work from the next day.

Key Partnering Questions

The growth in partnering alliances in the ICT industry over the past few years raises many questions that management needs to address and find answers for such as:

- ➢ How should partner alliances affect strategic thinking?
- ➢ How can a firm benefit from partnering without being hurt?
- ➢ What characteristics are important in choosing an alliance or reseller partner?
- ➢ Is there a way to cooperate safely with a competitor?
- ➢ What are the best projects or products to select for a partnership?
- ➢ How should the partnership be designed and managed?
- ➢ What factors contribute to the effectiveness of a partnership?
- ➢ What management practices are needed to support partnerships?

Key Relationship Management Factors

Strategic partnerships, no matter what form they take, should be defined and assessed on the basis of the following key factors or dimensions[1]. You have probably heard of or thought about at least a couple of these relationship aspects before, but it is worth revisiting all these issues again and regarding them from a holistic perspective.

- ➢ Strategic Advantage
- ➢ Goal Compatibility
- ➢ Mutual Commitment
- ➢ Communication
- ➢ Interdependence
- ➢ Conflict Resolution
- ➢ Joint Planning
- ➢ Coordination of Activities

Addressing these key dimensions will assist managers in providing answers to the above questions and form a framework for effective and successful partnerships.

As you read through these factors think about the attention you pay them in your current partnerships.

- ❖ **Strategic Advantage** - The fundamental purpose of any strategic partnership is to enhance the long-term competitiveness of the partners. The perceived strategic benefit to be gained from the alliance is usually its reason for existence. The pooling of resources and knowledge in joint activities to gain a strategic advantage for both partners also constitutes levels of risk. Hence, both parties need to assess the potential value added by the other party, balanced against the risk, and be sure that the partnership is the best means for achieving the relative competitive advantage.

- ❖ **Goal Compatibility** - There must be a common goal to be achieved by the partners. All parties need to ensure that while their own goals may not be identical, they must be compatible so individual company objectives can be achieved at the same time as the mutual objectives of the partnership.

- ❖ **Mutual Commitment** - Implicit in all relationships is the need to trust the other party. This means believing that the other party's word is reliable and that they will fulfil their obligations. A company's desire to closely coordinate activities with another firm is highly dependent on trust[2]. Mutual commitment develops from the affirmation of this trust and produces solidarity and cohesion in the relationship.

- ❖ **Communication** - Two-way communication is imperative in any type of relationship, business or personal, and strategic partnerships are no exception. This communication needs to happen on a 3-dimensional basis. It needs to occur inter-company and intra-company at all levels of the hierarchy and not just the senior management team who initiate and formalise the partnership. This means communication between the people in each functional area in the organisation who will be performing the joint activities. The third dimension is time. The communication needs to keep occurring on an ongoing basis for the partnership to

succeed in the long-term and not just as a one-off exercise at the beginning. It is just like a marriage - it needs more than to say "I love you" on the wedding day and then not talk anymore.

❖ **Interdependence** - To be involved in a partnering relationship is to become dependent on the other partner in some respect and hence, involves risk. Whilst interdependence precedes cooperation, it is also the forerunner to conflict. The major threat that comes with interdependence is opportunistic behaviour, which can have a devastating effect on the longevity and success of the partnership. The key is to manage the relationship so that the benefits of interdependence, being cooperation and cohesiveness, are maximised and the dysfunctional aspects of conflict and opportunistic behaviour are minimised.

❖ **Conflict Resolution** - Although partners in an alliance are, by definition, joined in a cooperative relationship, they can also have competitive aspects. Conflict often occurs during the term of a partnership and the resolution can be either constructive or destructive. The management challenge is to resolve the conflict constructively so that cooperation and cohesion prevail. This is generally done through open and honest communication and helped by defining the rules of engagement upfront.

Conflicts are resolved by problem solving and persuasion predicated with agreement on goals[3]. Legal regulation tends to be destructive and should be used only as the last resort, when communication no longer occurs and hence the relationship has probably disintegrated beyond repair – much like many divorces. Successful partnerships are self-regulated with partners establishing mechanisms and processes for resolving future conflicts. A constructive resolution can enhance the relationship more than if the conflict hadn't occurred at all.

❖ **Joint Planning** - Strategic partnerships are often built on the presumption that planning the substance of the exchange is secondary to planning the structure and processes of the exchange. The planning is often limited to the form and substance of the contract being negotiated with the belief that the future issues will fall into place naturally. This is not the case. A successful alliance must be planned down to activities and related resources and the people responsible. Partners need to openly share plans and take into consideration each other's concerns and goals. It is crucial to the success of the partnership that this planning is done jointly with key personnel from each company.

❖ **Coordination of Activities** – Relationships always comprise activity links, being the activities that occur between and connect the partners[4]. These can be at the technical, administrative, management and commercial levels of the organisations and involve the exchange of resources between the partners including technology, materials, equipment, facilities, knowledge, image or finance. These activities need to be assigned in the joint planning and coordinated between the alliance partners by effective project management whilst retaining recognition of their individual independence.

It is these many faceted challenges in partnering, with all the factors to be addressed, that makes it tough to achieve the desired results – just like personal relationships. It can be done with the appropriate management processes. Joint planning is imperative and needs to comprise:

▪ agreeing and committing to mutual goals and objectives

▪ defining the rules of engagement

▪ formal communication delivery

▪ an action plan of activities and responsibilities

If any of the above key factors are ignored, the partnerships will end prematurely before they have realised their full potential and reached expectations. Managing strategic partnerships through to a successful result is a complex and often frustrating experience but very rewarding when well done and do achieve the competitive advantage for which they are formed.

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[1] Spekman and Celly from Moller and Wilson, pp 161-165
[2] Pruitt 1981
[3] Spekman and Celly from Moller and Wilson, p 163
[4] Hakansson and Snehota, 1995, p 143

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Profile – Janeen Sonsie

Janeen Sonsie is an expert in channels management and alliance partnering and has facilitated partner planning programs throughout Asia Pacific for nearly 10 years with major companies such as Cisco, Hewlett Packard and Telstra.

With her own consulting firm, Marketing Integration, she assists organisations to grow revenue and market demand, particularly in partnering engagements.

Marketing Integration specialises in Go-To-Market strategies to grow revenue - covering marketing, sales and channels management and partner relationship management.

Janeen facilitates practical and pragmatic planning workshops in which her clients combine marketing-oriented business analysis with creative strategy development and implementation to exploit the most effective and profitable Go-To-Market models.

Janeen's 25 years experience in the IT&T industry comprises the breadth of business functions including marketing and sales, channel partner management and customer service in national and regional management roles. Janeen holds a Master of Marketing, a Graduate Diploma of Marketing, from Monash University, and a Bachelor of Science (Comp Sci) from the University of Melbourne as well as a Certificate IV in Assessment and Workplace Training.

Janeen can assist you in implementing successful joint planning with your partners. Contact her on +61 3 9830 0688 or by email to Janeen@marketingintegration.com.au.