ALLIANCES, STRATEGIC PARTNERSHIPS AND THE POWER OF ANALYTICS

GAIN CONTROL, REDUCE RISK, ACCELERATE GROWTH

E. KEITH GAYLORD

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FOREWORD

Strategic alliances and partnerships are important instruments for growth and innovation. Tiffany Bova, Salesforce.com evangelist, identifies them as one of the ten growth paths in her best-selling book, *Growth IQ*. Yet research still pegs their success rate at around 50%, about the same as mergers and acquisitions. How is it that business leaders would bet their future growth on a coin toss? Well, it's not that simple. Success is not an accident.

I have been in the world of partner management and alliances since the 1980's. I've seen my share of failures and successes. I've also seen practices and approaches that when consistently applied, consistently produce results. In 2001, I had retired from a start-up unicorn that had done very well in the dot.com boom. The company had experienced exponential revenue growth largely due to an alliance program that was widely hailed as best in class in the industry. In the dot.com bust, I faced an uncertain retirement, and so returned to my passion, partnering, but in a consulting role in helping others weather the downturn and prepare for future growth through partnerships.

It was then I discovered a community of like-minded professionals through the Association of Strategic Alliance Professionals (ASAP) and became involved as the Best Practices Chair. And in that role met the author of this book, Keith Gaylord, who at that time was an Alliance Executive at IBM. Keith also shared my interests in professionalizing alliance management and became a partner in transforming what many considered to be a soft, squishy art to a management science.

We collaborated with thirty other alliance managers and experts to develop the first professional credentials for alliance management. We worked with a certification company that helped us design certification exams that tested for skills and competence by applying psychometric science to the art of business relationship management. People who achieve these credentials, have more than book knowledge of how to manage an alliance, but also have the analytical skills and judgment to solve problems and lay out collaborative processes that lead to high performing alliances.

Speaking of book knowledge and processes, after completing the certifications, I embarked on a journey to revitalize the ASAP body of knowledge: *The ASAP*

Handbook of Alliance Management. The original publication had been co-authored by one Keith Gaylord many years earlier when IBM was seeking to build a partnering capability. A testament to the fine work in codifying the processes and considerations in designing alliances, much of the book remains as valid today as it was when published in 1998.

Over the years, I have often relied on Keith's insight and expertise in the art and science of alliance management and I am delighted he has taken on the next journey of bringing a more analytical perspective to alliance management. In our joint research in understanding how alliance managers evaluate alliance opportunities, we found the process was still largely ad hoc and used what we termed "last century tools": spreadsheets, PowerPoint, and scrawls on the back of a napkin schlepped back and forth on email or posted on a bootleg instance Dropbox outside the corporate firewalls.

In this book, Keith provides a synopsis of alliance management fundamentals. These sections will give you an invaluable context of what to expect when founding and operating an alliance. He makes the point that alliances are businesses and should be run like businesses. And like all businesses, they require a business plan, clear objectives, management acumen, and skilled professionals. They also require that all parties in the alliance agree to a documented **Plan of Record**.

Modern businesses, which have the advantage of IT management systems, rely on a whole basket of acronyms: ERP, CRM, SFA, MAS to establish a system of record and a single source of truth about how the business is run. Even the channel community is rushing to adopt PRMs, Partner Relationship Management. While I've seen companies try to force fit their strategic relationships into PRMs, it fundamentally does not work. PRMs are designed for a one to many, transactional relationships and fall well short of what is needed to build a high value, high touch, collaborative joint business operation.

What is needed is a built-for-purpose Alliance Management System, an **ARM**, which is what this book is about. With a digital platform to manage your most strategic relationships, you can begin to measure, analyze, model, predict, and optimize performance outcomes.

Keith also includes several **Notes From the Field: Insights and Advice.** These are keen learnings from the University of the Real World. Those of us in the profession all have them. While we like to share our success stories, the horror stories are where we learned our craft. By sharing them with you, Keith offers you the opportunity to apply what he has learned and save you some dyspepsia.

I resolutely believe that the great problems in business and in society will have to be solved collaboratively, through organizations who come together to create greater value, and better outcomes than can be accomplished alone. I highly recommend this book to anyone wanting to tap into Keith's wealth of experience of how to collaborate effectively and how to apply analytics to beat the odds on managing successful alliances.

Norma Watenpaugh, CSAP
CEO & Founding Principal
Phoenix Consulting Group, LLC

ACKNOWLEDGMENTS

One joyful task in writing this book has been to reflect upon the scores of individuals with whom I've worked with, learned from, and labor with to this day in pursuit of ever more successful alliances.

My dear and patient friend Peter Huidekoper, who hung in there with wise and honest editorial guidance and an educator's knack for crack grammar and punctuation.

Rob Smith, who gave me the best advice ever: "Don't tell them what you want them to hear. Tell them what they *need to know*!"

My very talented layout and graphics team Andy Meaden, Beth Gaylord and Pat Cascio, who also doubled as a copy editor.

Alliance professionals, the good ones, breathe rarefied air. The good ones are also the generous ones who instinctively support one another. Among these professionals I am grateful to count as friends and colleagues Norma Watenpaugh, George Rudnicki and Eric Hakanson.

Family, friends and associates have helped to keep my eyes on the prize with their candid opinions, charitable critiques and willingness to pitch in. Mike Crane, Frank Merchat, John Davis, Mike O'Brien and Tim Empkie stand out within that community.

My sincere thanks go out to those named and unnamed. Your collective contributions made this book possible.

E. Keith Gaylord
Williston, Vermont
August 2020

PART I

WHAT YOU DON'T KNOW CAN KILL YOU

Memo to CEOs:

Why is it that some of the brightest and most celebrated corporate CEO's like Intel's Andy Grove, Time Warner's Gerald Levin and VW's Martin Winterkorn have brilliant careers building their own companies, only to be tripped up by a partnership or alliance that failed to meet expectations or brought with it unpleasant surprises never imagined?**

The answer is that with partnerships and alliances it is far more difficult to control the information and the people to ensure the same level of success that you demand of your core business.

The result is that too frequently stakeholder expectations are not met and performance projections…financials specifically…fall short. It happens even to the foremost corporate leaders and managers.

To date the list of best practices on the business management of partnerships and alliances is alarmingly incomplete. Much of the critical quantitative analysis of projected and actual financial results, including profitability, is absent.

The purpose of this brief guide is to lay out the essential quantitative information and data that senior executives ***MUST HAVE*** in order to make informed strategic and investment decisions for their alliances.

Fig. 1 – What You Don't Know Can Kill You

** Mergers: Grove – SAP; Levin – AOL; Winterkorn – Suzuki

What's in a Title and Who Decides?

When Lou Gerstner took over IBM in 1993, establishing "strategic alliances" was all the rage across the IT industry. They were popping up like daisies.

To the investment community "strategic alliance" carried measurable weight and Gerstner took note: The day after the public announcement of an IBM strategic alliance with a publicly traded company that company's stock price bumped up. Not so with IBM's stock.

In response, IBM required, in exchange for establishing a strategic alliance, that the alliance partner issue warrants to IBM that were convertible when triggered by achieving specific performance criteria. This example illustrates the potential material value of a word or a title.

So then, what's to be made of titles such as **"alliance"** or **"partner"** or **"alliance partner"** or **"alliance-partner"** or **"strategic partnership?"** By definition do they connote the same characteristics? Do they all rise to the same level, e.g., some alliances and partnerships may add value to the business but don't meet the bar of "strategic?" And what authority decides which characteristics are aligned with each title? The simplest answer is, "it depends."

Searching the Internet on these titles individually or in combination returns literally millions of results. A cursory sampling of the results reveals that no two definitions are identical. But there are recurring themes such as joined together, common purpose, cooperative, mutual benefit and independent amongst others.

Because these relationship types have more in common than their differences, ***for the purpose of this guide the terms are being used interchangeably.***

And what about **"go-to-market"** or **"Sell With"** when describing an alliance where partners combine forces and take their joint offering to the marketplace together? ***Ditto, for the purpose of this guide the terms are being used interchangeably.***

"Whose Money Is It Anyway?"

What makes the decision to fund a new or upgrade an existing alliance worth the risk? What criteria must be met to make the investment a smart one? Does the source of the investment funds – corporate or personal – influence the choice to "Go" or "No Go?" This guide addresses those questions and others head-on.

Readers of this guide will weigh its content through the prism of their role in the company. From senior executive to entry-level trainee. From equity owner to non-exempt employee.

This type of question is typically posed in the closing chapters of a book. But I encourage all readers to consider it from the opening to the closing pages of this guide.

"Would you invest your personal savings in this alliance?"

If "YES"

Proceed with eyes open.

If "NO"

Do not proceed.

If *"MAYBE"*

What needs to change to get to "YES"?

This guide is the tool that unlocks the answer to that question.

PART II

THE NUTS AND BOLTS OF A SUCCESSFUL ALLIANCE

What You Need to Know About Building an Alliance

Alliances are Businesses

New alliances are start-ups. Start-ups require investors. Investors demand a clear pathway to achieving an acceptable rate of return: How much, when and with what risks.

Before committing resources in a new business venture an investor requires a compelling, credible and thorough business case.

Partner to Profit, LLC, teamed up with Phoenix Consulting Group, LLC, to explore the role of business case development in alliances. One theme stood out: "We know how to create an alliance; now we need to run an alliance like a business."

Planning Matters

"Plans are worthless…*but planning is everything.*" – Dwight D. Eisenhower. Eisenhower isn't saying "don't bother to plan." He is saying that the process of planning is more important than simply creating a document.

The planning process:

- Challenges problem solving techniques, tolerance for conflict, willingness to take charge or tendency to sit back and observe.
- Tests the partners' trust in the "alliance first" creed by modeling "What-If?" failures and note how each partner chooses to act.
- Pays dividends, before things go wrong, as a result of witnessing each partner's inclinations and behaviors.

Price Waterhouse Coopers' 2017 report on strategic alliances stresses the importance of alliance joint planning.

Nothing Happens Until Someone Sells Something

- A shared vision driven by expensive talent that operate in a highly collaborative and trusting environment means nothing…without results.
- So, the first order of a new alliance business, as with any start-up operation, is to close key accounts with urgency.
- This is an "all hands on deck" pursuit led by the "A" sales team with unconditional support from key executives.

No Alliance is Without Risk

- As with any other business, an alliance is subject to the same categories of risk: Internal and External, but with the additional category of "Partnership."
- Joint business-case planning exposes alliance vulnerabilities alongside new opportunities. New alliances require frequent and compulsory joint operational reviews and vigilant executive oversight from both partners.

21st Century Alliances Require 21st Century Tools

- An **ARM** (**Alliance Relationship Management**) system is purpose-built for alliances and enables fact-based decision making to better manage alliance partnerships. Key business capabilities:
    - Provide insight into alliance ROI and breakeven of investment decisions
    - Forecast and track resource requirements
    - Predict and track revenue and profitability of alliance initiatives

- Attempts to use features/functions of CRM and PRM systems to manage alliance partnerships fall short of what an **ARM** system requires.

There is no magic potion to creating a successful alliance. ***But a disciplined approach using the right tool is the closest thing to a silver bullet.***

A CAUTIONARY TALE

If Something is Too Good to be True, It Probably Is

A few years back a senior executive from a global systems integrator and a senior executive from a $1 billion software firm met to explore ways in which the two firms could work more closely together for mutual benefit. Both executives agreed that investing in a three-day alliance-planning workshop would produce meaningful insights into the creation of a successful alliance partnership.

I was among the two-dozen or so attendees who came from all operational functions from both partners and three global geographies: The Americas, Western Europe and Asia. Great pains were taken to hold preplanning discussions with the goal of making the in-person event less educational and more of a decision-making forum. Great expectations were built going into the session from the corner offices to the folks in the trenches.

The consultants leading the session were masterful in guiding the group through the key planning stages. They were careful to ensure that everyone who wished to contribute was heard.

Each day's wrap-up was positive and enthusiastic. No one thought that executing the final plan was going to be a walk in the park. But there was *a pervasive confidence from the start* that the combined strength of the two companies could overcome whatever challenges came their way.

At the final presentation to executives the software firm's COO pulled up a chair next to me. As the consultants ticked off the key plan milestones the COO asked me quietly: "Are we going to make it?" I said "No." Nevertheless, the meeting concluded with smiles and hand shaking all around.

In the next 12 months many of the things that could go wrong did.

The software upgrade that was to have gone live was in the ditch. Upgrades to existing applications were delayed. Frustration between the partners' sales forces was getting toxic. Field managers had all but abandoned efforts to sell jointly. Everyone seemed to be digging their own foxholes in anticipation of what were inevitable cuts in people and dollars.

What went wrong started with that initial planning session. These companies had every right to feel confidence in the *potential of an alliance*. But there were *too few checks* on some of the key plan assumptions such as product development, access to new markets, sales targets and costs.

Would implementing a baseline **Plan of Record** have headed off the unfortunate failure that befell these partners? I believe that *it could have* by scrutinizing more carefully the required resources – people, dollars and time – to meet the alliance's business objectives, and acting accordingly.

PART III

THE FOUNDATIONS OF A SUCCESSFUL ALLIANCE

Why an Alliance in the First Place

The Strategy Must Come First…Then The Partner

Over the past 30 years scores of articles, papers and books have been written examining what makes for a successful alliance. In 2017 Price Waterhouse Coopers published an article titled *JOINT VENTURES AND STRATEGIC ALLIANCES: Examining the Keys to Success.*

By applying PWC's "Put strategy first" planning approach, an alliance's time-to-money can be accelerated and resources can be saved.

Here's PWC's list:

Put Strategy First	• Start with a strategy, not a partner, facilitate clarity around core capabilities, trade-offs, and strategic priorities • Be clear on why and how this alliance helps execute your strategy more effectively than organic growth • Consider the bigger picture and the alternatives – market trends, competitor actions, and whether the alliance would be better as a JV or an acquisition

Fig. 2 – PWC - Put Strategy First

This guide's focus is on building and managing successful go-to-market Alliances. The primary emphasis is on the quantitative or numeric dimension of the planning process. But there are qualitative attributes that go hand-in-hand with the numeric assessment of an alliance. Important evaluation features that convey quality include:

- References:

  Does the prospective alliance partner have a positive track record with other go-to-market alliances?
- Operational Harmony:

  Is there evidence that the partners will be able to merge their respective development, marketing and sales practices with manageable friction?
- Methodologies and Tools:

  Do the partners share common business management practices, in particular business case planning and performance tracking and attribution?
- Alliance Management:

  Does each partner agree on a "partner first" creed? Can the partners agree on how disputes will be dealt with? Do the alliance executives have a "seat at the table"?

Spectrum of Alliance Types

Alliance types range from the transactional that are "opportunity driven" and evaluated quarter-to-quarter to alliances that are "investment grade" with a return on investment horizon greater than 12 months.

In the scale from "Simple to Complex", go-to-market alliances rank somewhere between "Let's Date" – nothing exclusive, and "Let's Go Steady" – exclusive unless agreed upon otherwise.

Beware the "wordsmith": I have sat through too many hours in planning meetings that have been hijacked by wasting valuable time debating the nuances of the word "strategic". **Avoid labels!** It is better to craft complete sentences, using nouns and verbs that describe clearly what it means to be "strategic" **in the context of a specific alliance.**

There is no "perfect fit" when it comes to the decision to partner vs. build or buy. Examine carefully the trade-offs of each option ***as they pertain to your partnering circumstance.*** Be prepared to defend the partnering choice applying criteria meaningful to the stakeholders.

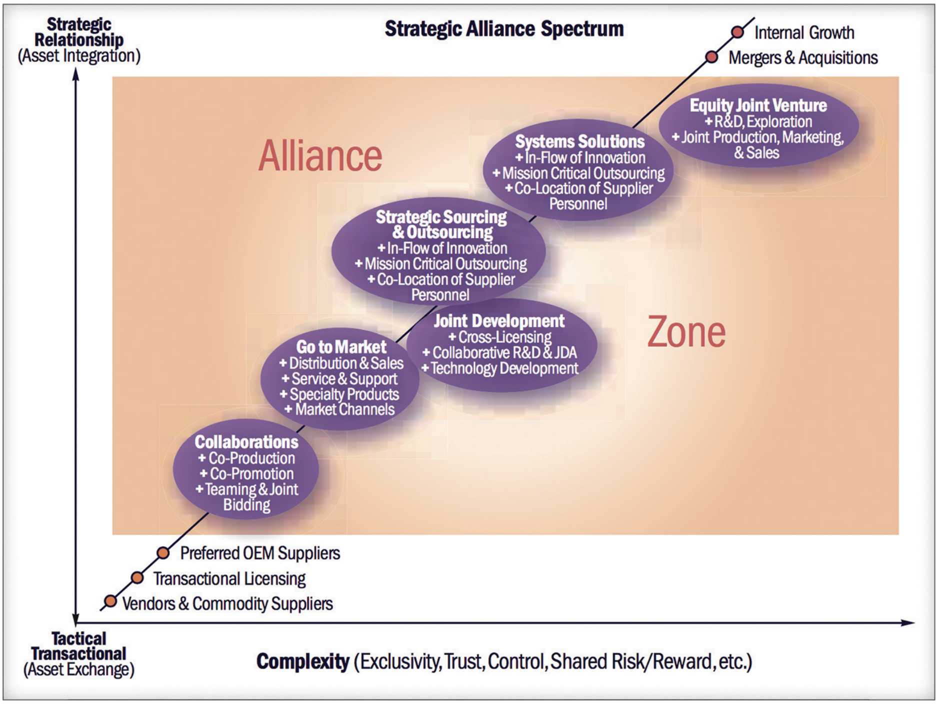


Fig. 3 – Strategic Alliance Spectrum (Association of Strategic Alliance Professionals)

Buy / Build / Partner

Longtime colleague and business partner Norma Watenpaugh, principal of Phoenix Consulting Group, LLC, has spelled out the Pros and Cons of each option providing a context for conducting this evaluation and assisting in making an optimal choice. Watenpaugh compactly illustrates the Pros and Cons in the following graph.

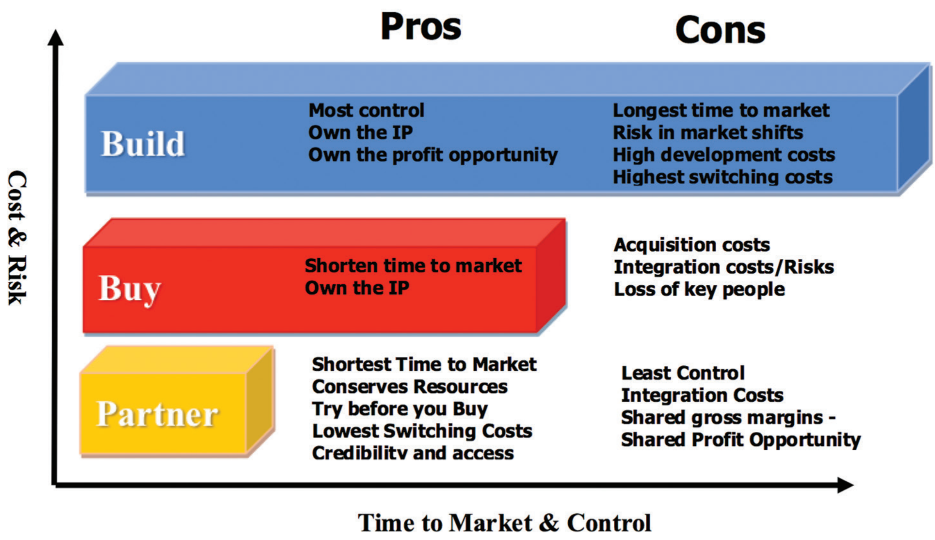


Fig. 4 – Buy / Build / Partner (Phoenix Consulting Group, LLC)

Running Go-to-Market Alliances Like Businesses

Phoenix Consulting Group, LLC, and Partner to Profit, LLC, conducted a survey of highly experienced and well-placed alliance professionals seeking to understand the use and impact of business cases and business plans. These are a few of the comments made by respondents:

RUN LIKE A BUSINESS

"I would agree with the statement that we know how to create an alliance; we now need to run an alliance like a business."

PRIMARY METRIC IS REVENUE NOT ROI

"On the sell side, the business case focus is on the short term revenue in the quarter."

LAST CENTURY TOOLS

"No dashboard, no tools. Each person has to do the analysis themselves and each has a different skill level in Excel so quality varies."

ARTICULATING THE VALUE

"Alliance folks do not have a clear script or elevator pitch: Here's why we are doing what we are doing."

EXPANSIVE ROLE WITHOUT HARDLINE AUTHORITY

"Alliance managers are general managers without the teeth."

Unbusinesslike, short-term outlook, antiquated tools, and frustration with quantifying their value to the success of the enterprise, responsibility without authority. It's no wonder that alliance professionals can feel job insecurity when their performance is under scrutiny. These conditions do not reflect, however, on ALL alliances operations.

In our conversations with alliance professionals we learned that some companies have: created first class centers of alliance competency; built proprietary tools to develop, manage and track alliance performance; integrated alliance professionals firmly into the fabric of the overall business of the enterprise. *But these examples of highly functional alliance operations are outliers.*

What the Pros are Telling Us: The Survey Conclusions

Alliances, for many organizations, are becoming "the way businesses innovate and grow " and are experiencing a rising profile within the C-suite. Yet, business case development lags behind in what is required for fact and evidence-based decision-making. The process is not always well aligned to the core business, which puts even more distance between a credible plan and suspect one.

With the lack of standards Alliance professionals struggle to:

- Model and manage the alliance investment
- Track incremental revenue
- Isolate incremental costs
- Evaluate the full measure of their contribution

To date efforts to support collaborative partner relationships relying solely upon the customer sales and channel management functions of CRM and PRM systems are merely band-aids. In the absence of a system "purpose-built" to design and manage partner relationships major portions of company revenue, investment and innovation are left exposed.

Effective alliance management requires a demanding skill set and the tools capable of supporting the unique features of alliance partnerships. As a result of this study a capability and feature set of an alliance specific system, **Alliance Relationship Management (ARM)** was born.

So with an **ARM** system in hand alliance professionals should take the initiative in managing their alliances like businesses. Seek forgiveness…not permission. There is no fault in acting in the interest of the enterprise.

What is Alliance Relationship Management (ARM)?

As mentioned earlier Partner to Profit, LLC, and Phoenix Consulting Group, LLC, conducted research to understand current practices in the development of alliance business cases and how those business cases are used to inform decision makers in setting performance objectives and investment allocation.

A key finding in that study exposed the lack of a 21st century purpose-built platform/system, on par with commonly used systems such as Customer Relationship Management (CRM) and Partner Relationship Management (PRM), to support the business of alliances. A capability and feature set of an alliance specific system, **Alliance Relationship Management** (**ARM**), was born as a result of that study.

Alliance Relationship Management: Defined

The overarching purpose of an **Alliance Relationship Management** system is to enable fact-based decisions to better manage alliance partnerships. Key business capabilities:

- Forecast and track resource requirements
- Predict and track revenue and profitability of alliance initiatives
- Provide insight into alliance ROI and breakeven of investment decisions

What would be some of the attributes and benefits of a purpose-built **Alliance Relationship Management** platform?

- Provide a secure and accessible forum to share information and to collaborate with internal stakeholders and with all partners in an alliance
- Function as the **PLAN OF RECORD** between the collaborating parties

    Current methods of emailing plans and spreadsheets back and forth inevitably become nightmares in version control.
- Provide the ability to acommodate different business models since alliance partners generate revenue in different ways

    Service oriented businesses will optimize for the service component. Software business will look at unit sales or recurring revenue.
- Integrate with and preserve the investment of other enterprise systems, most notably CRM for deal tracking and sales performance but may include other systems such as PRM or Learning Management System (LMS)

In the absence of a purpose-built **ARM** system businesses are using some of the features/functions of CRM and PRM systems to manage aspects of their alliance partnerships such as sales tracking and product certification. But those systems fall short of what an **ARM** system is designed to perform and deliver.

For comparison purposes the key features and capabilities of **ARM** have been positioned along side CRM and PRM.

FEATURE	ARM	CRM	PRM
Focus	**Alliances**	Customer	Channel
Purpose-Built For:	**Alliance Management**	Sales Management	Channel Management
Financial Workup by Partner	**Yes**	No	No
Top KPIs	**Alliance Metrics**	Customer Sales	Channel Sales
Estimates Alliance and Partner ROI	**Yes**	No	No
Customized Bill of Materials	**Specific**	Generic	Generic
Customized Billing	**Yes**	No	No
Joint Sales Modeling	**Yes**	No	No
Competitive "Win Rate" Evaluation	**Yes**	No	No
Resource Forecasting	**Yes**	No	No
""What-If?" Outcome Modeling	**Yes**	No	No
One Page Dashboard	**Yes**	No	No

Fig. 5 – **ARM** vs CRM vs PRM

The Significance of a Plan of Record

What is a Plan of Record?

> *"**On its face**, a **Plan of Record** is a deceptively simple document that states intended deliverables over a period of time."*
>
> **WorkMarket Engineering (https://workmarket.tech/)**

In the context of alliances WorkMarket's definition of a **Plan of Record** goes on to say:

An alliance **Plan of Record** is ***an essential tool*** that:

- *Drives alignment* within and between each partner organization.
- Identifies and *prioritizes the essential actions.*
- Highlights those actions that *must be accomplished.*
- *Documents the plan* for *distribution* to those groups and individuals on both sides of the alliance.

An alliance **Plan of Record** is the blueprint and high-level project plan rolled into one. Creating a business alliance is similar in many ways to designing and building a house. For example:

- At the top is the funding source for the endeavors, the senior executive and client.
- The company strategist and architect, in collaboration with the alliance executive and general contractor, generate the alliance design and house blueprint.
- Within a budget the alliance design and house blueprint translates the wants/needs of the senior executive and client.
- Development and management of the project plan falls to the alliance executive and general contractor.

BUILDING AN ALLIANCE	RESPONSIBILITY	BUILDING A HOUSE
C-SUITE	FUNDING SOURCE	CLIENT
CHIEF STRATEGIST	BLUEPRINT	ARCHITECT
ALLIANCE EXECUTIVE	PROJECT PLAN	GENERAL CONTRACTOR
DEPARTMENTS	FUNCTIONAL GROUPS	TRADES
PRODUCT	SKILLED RESOURCE	BUILDER
MARKETING	SKILLED RESOURCE	PLUMBER
SALES	SKILLED RESOURCE	ELECTRICIAN
ETC.	ETC.	ETC.

Fig. 6 – Building an Alliance or a House

A Plan of Record Aligns the Partners

a·lign /əlīn/*verb*

1. put (things) into correct or appropriate relative positions.
2. come together in agreement or alliance.

The intent of this guide segment is to establish that a well-developed alliance **Plan of Record** is the most effective means to create alignment between alliance partners. But first, I would like to present an analogy to enliven the importance and value of alignment in a relationship.

Trite as the notion may be, entering into a business relationship does have similar characteristics to that of a marriage. The sheer number of results obtained when doing a word search on "business alliance marriage" supports evidence of that sentiment: 44.5 to 53.7 million, depending on how the key word search criteria is scrambled.

- Examples of similarities: Trust, collaboration skills, decision-making process, ability to communicate, willingness to compromise, and shared expectations and priorities.
- Examples of dissimilarities: One whose primary purpose is to maximize returns for its owner or stakeholders; the other whose primary purpose is an interpersonal and social relationship between two individuals.

In order to succeed, both types – interpersonal or business – require effective alignment of key criteria, some shared, some unique to the relationship type. Unique business alliance criteria may include, amongst others:

- Priority placed on the partnership
- Expectations of one partner of the other
- Product/solution development methods
- Marketing processes
- Sales processes
- Role of executive sponsorship
- Accounting practices such as revenue attribution
- Governance models
- Investment analysis

Prior to the development of the **Alliance Relationship Management** (**ARM**) system businesses with alliance partnerships sought the benefits of an **ARM** system through the alteration of Customer Relationship Management (CRM) and Partner Relationship Management (PRM) systems.

CRM and PRM systems play crucial roles in automating sales and marketing operations involving partners. These systems are optimized to drive revenue for the vendor through new relationship acquisition and current relationship retention. CRM's target relationship is the customer and PRM's is the channel. Neither is able to deliver the functionality of a purpose-built **ARM** system for alliances.

To summarize, relationships – in marriage or business – are similar and different at the same time. Success for both hinges on how well each meets key relationship criteria, some shared and others unique.

For years, best-effort attempts have been made to manage alliance business relationships with CRM and PRM systems. Those attempts have repeatedly come up short.

An **Alliance Relationship Management** system, purpose-built for alliance partnerships, provides a methodology and tool – a **Plan of Record** – to put into practice true alliance development and management.

The Value of a Well Designed Plan of Record

Flattens Troublesome Partnering Issues

I sat in on an alliance leadership council meeting that was attended by 40+ of the "Who's Who" in the constellation of alliance thought and practice professionals. As an aside, the combined annual revenues of the attending companies exceeded 1 trillion dollars…roughly 6% of the U.S. GDP at the time!

Before diving into the formal agenda the moderator asked everyone to share what their biggest challenges have been and continue to be that negatively affect the success of their alliance businesses. In no particular order here are the top five that I made note of:

- Partner expectations
- Calculating ROI
- Quantifying resource requirements
- Investment rationale
- Performance outlook beyond 12 months

This roster of nagging and recurring problems shines a light on the importance of up-front joint planning and the value of building a well-grounded **Plan of Record**. Guided by an **ARM** system the alliance planning process can tease out and head off many of the misplaced expectations partners have of each other. In turn, the greater transparency can save time and resources, accelerate time to market and boost levels of trust.

PARTNERING ISSUE	HOW AN ARM SYSTEM RESPONDS
Partner Expectations An audible sigh went out when the words "partner expectations" were uttered. Examples spontaneously popped out: Financial investments, immediate access to the global sales force, preferential marketing programs… especially lead generation, co-branding and so on.	**Benefit of Using an ARM System** Documents a **Plan of Record** that can tease out and head off many of the misplaced expectations partners have of each other. A more transparent and patient approach can save time and resources, accelerate time to market and boost levels of trust.
Estimating ROI: There is no standard for estimating the financial returns of an alliance. Companies use different approaches to quantify and assign alliance related income, costs and expenses. Attempts to adapt existing applications such as CRM and PRM have had mixed results.	**Benefit of Using an ARM System** Generates an estimated ROI for the alliance and for each partner.
Quantifying Resource Requirements The ability to forecast headcount, skills, dollars and time frames for the alliance and for each alliance partner is a critical success factor.	**Benefit of Using an ARM System** Accounts for the number of resources – headcount, skills, dollar and time – required of each partner in the **Plan of Record**.
Investment Rationale Which alliances to invest in, divest from, keep at a steady state. How to make more informed decisions. Only a system designed to gather the specific data and calculate the relevant results is capable of that.	**Benefit of Using an ARM System** Scoops up key data such as ROI, time to break even, competitive strength, profitability and certain risk factors that are fed into an investment analysis.
Performance Outlook Greater Than Twelve Months Steve Steinhilber, VP of Strategic Alliances, Cisco, states in his book STRATEGIC ALLIANCES: Three Ways to Make Them Work, that "On average, we have seen that the payback on our up-front alliance investment tends to be around eighteen months. At that point, the alliance is either gaining momentum because the right foundation has been put in place, or we are clearly having problems." NET: Assessing the viability of an alliance requires an outlook beyond the historical four quarter/twelve month cycle.	**Benefit of Using an ARM System** Generates a twenty-four month **Plan of Record** including a summary performance dashboard.

Stimulate Growth by Strengthening Controls and Heading Off Risks

In a go-to-market alliance one partner does not control the other. What each partner does have control over are the decisions it takes for its benefit while weighing the impact of those decisions on the other partner.

There are some risks that neither alliance partner is immune from. Examples are new competitors, geo-political shifts or government policies. But then there are risks that are potentially avoidable such as routine operational processes, inaccurate resource forecasting or baseless or exaggerated performance claims.

Knowing what not to do can be as or more influential in alliance growth as knowing what to do. Applying the same management rigor and planning discipline to both core and alliance businesses is the best route to strengthen controls and mitigate risks.

Controls

Unclear roles, responsibilities and partner expectations, poorly defined decision making processes and inadequate joint planning contribute to the loss of alliance control. Building a joint **Plan of Record** documents what each partner commits to the alliance and is projected to realize in return. That joint plan generates a multi-year view of key alliance data that fosters greater communications, collaboration, trust and informed decision making.

Risks

Alliances are subject to many of the same strategic, financial and operational risks as a company's core businesses. A key difference with alliances is that one partner cannot dictate to another how risks are assessed and managed. Investing in joint upfront planning to build a thorough **Plan of Record** can minimize alliance risk exposure and bring the partners together as equals to agree upon the details of governance and dispute resolution.

Growth

Making informed fact-based decisions, as opposed to "guesstimates," affects the rate and breadth of alliance growth. The ability to perform "What-If?" analysis against an alliance **Plan of Record** allows the partners to explore together how adjusting plan components such as marketing tactics, deal size, sales engagement model, Win Rate and time lines affects both resource commitments and outcomes.

NOTES FROM THE FIELD: INSIGHTS AND ADVICE – I

A message to management: Put your "A" team in first then get out of the way

- If the partners' top guns can't make a go of it, then how could the "B" or "C" players score a run? And if you defer putting in your best talent after one or two unsuccessful attempts, what impression does that leave with the partners' marketing and sales teams?
- For a declared set of opportunities neutralize any real or perceived imbalance of compensation incentives and rewards involving the joint sales team.
- With management decisions and actions demonstrate fairness, consistency and trustworthiness.
- Don't just keep the sponsoring executives abreast of high priority engagements. *Get and keep them involved*.
- A well-constructed **Plan of Record** will generate a game plan for each top opportunity deemed critical to the success of the alliance.

Starting a new alliance *IS* like starting a new business

- New alliance or new business success often comes at a greater cost in dollars, human resources and time than planned for.
- Jointly identifying areas of risk to the alliance is a critical planning step.
- A well-developed **Plan of Record** enables "What-If?" modeling to compare/contrast the effects of a range of conditions on future outcomes.

The DNA of the partnering culture:

"Culture eats strategy for breakfast" is attributed to Peter Drucker, sometimes referred to as "the father of modern management." Here's a true story about the culture of partnering that bears out Drucker's caution.

Company A, a technology and services firm, had three independent relationships with Company B, a software vendor. When combined on paper the revenue generated by the three business models put the overall relationships in the "Top Tier" category for both firms.

A senior executive from Company A asked me to look into what it would take to consolidate those three relationships under a single umbrella. On face value this was a seemingly straightforward exercise.

A few weeks later I presented my findings in a good-sized report documented in a three ring binder. The Company A executive opened it up, glanced at the table of contents, shut it and tossed it on his desk. "I'm not going to read this thing. Net it out for me."

"Building collaborative relationships is not in their DNA," I said. The Company A executive retorted *"It's not in their DNA? What are you talking about? Two sizeable and successful companies like ours can't find a way to work more closely together?"* I replied flatly: "That is correct."

My recommendation was to "let sleeping dogs lie" and be grateful for the amount of business that each company was generating with and through each other, in spite of conditions that could negatively influence the revenue dial for both companies.

Why? Because I found little evidence that Company B practiced collaborative relationships, either within the company or outwardly with partners. Through colleagues working across the three engagement models – go-to-market, sell-through and sell-to – I could see that the tension created by having multiple products in a given market space was intentional. And the most compelling evidence for Company A to NOT pursue a more involved partnership with Company B was the absence of any meaningful partnering programs on Company B's part.

For me the partnering culture spectrum falls into four models:

- Collaborative: Collective, shared, synergistic
- Co-operative: Coordinated, reciprocal, symbiotic
- Accommodating: Friendly, helpful, polite
- Contentious: Antagonistic, combative, testy

I wish to be clear about the virtue of one model over the other. No two alliances are alike! What works for one alliance partnership may not work for another. My partnering example bears that out. Just as one collaborative partnership may not yield needed outcomes, a contentious partnership can produce meaningful results. It all depends on what the optimal partnering model is for a given alliance. The important take-away is that from the beginning both partners are clear-eyed about which model best serves each other and the alliance.

A jointly developed **Plan of Record** asks the right questions to flesh out prevailing partnership behaviors. Furthermore, it creates the space to address early on which model is best suited to meet the objectives and goals of the alliance.

Managing Expectations

"Underestimate and overachieve." This is an often-repeated business saying that has a handful of naysayers who argue that going "above and beyond" to please customers is a waste of effort. But it has worked well for me, both professionally and personally. So I'm sticking with it.

Alliance stakeholders develop and hold expectations around several key areas, including people, money, time, executive involvement, contingencies and priorities, amongst others.

With input from all stakeholders a **Plan of Record** provides the alliance team with a methodology and tool to model a range of estimated outcomes.

The *value* of this modeling work goes beyond generating a statement of expectations. The discussion and debate that produces a plan to manage expectations will contribute to the development of a resolution process that will address specific issues as they arise.

PART IV

THE ALLIANCE PLAN OF RECORD

Building a Quantitative Alliance Plan of Record

PLEASE MAKE NOTE:

OUR PLAN OF RECORD EXAMPLE IS TAKEN FROM THE INFORMATION TECHNOLOGY SECTOR. PARTNER *to* PROFIT **SUPPORTS ALL GO-TO-MARKET ALLIANCES, REGARDLESS OF INDUSTRY.**

Thumbnail Plan

Plan/Model

Product Specifications

Human Resources

Top Opportunities

The Joint Offering

Competition

Marketing

Sales

Project Model

Figure 7 – The Thumbnail Plan

PARTNER *to* PROFIT

PARTNER *to* PROFIT (***PtoP***), is a planning and management tool purpose-built for go-to-market alliances that meets the key criteria of an **ARM** system. Building a **Plan of Record** involves both **QUALITATIVE** (descriptive) and **QUANTITATIVE** (numeric) elements in the same way that a standard/single enterprise business plan does. Both qualitative and quantitative content is required to complete a plan. One goal of this guide is to illustrate how to ***financially*** qualify the potential of an Alliance – Partnership using primarily quantitative input. The navigation bar to the left lists the key numeric elements of a **Plan of Record**.

STOP!! DO NOT PASS GO.
DO NOT COLLECT $200

First, the Joint Value Proposition – JVP

Before expending any energy modeling the financial profile of a go-to-market alliance, all attention ***must*** be applied to crafting the alliance's Joint Value Proposition (JVP). The JVP is the foundation upon which an alliance's **Plan of Record** is built. I submit that there is an indisputable relationship between how compelling the JVP is and the resources required to successfully take the joint offering to market.

Peter Thiel, addressing his Stanford CS183B Course *How to Start a Startup*—Lecture 5, underscored this premise when he said, "There are exactly two kinds of businesses in this world. Businesses that are perfectly competitive and businesses that are monopolies."

Alliances are businesses and new alliances are start-ups. Therefore, according to Thiel, if your alliance JVP is perfectly competitive, success hinges on volume and/or pricing. Conversely, if your solution JVP is monopolistic, success hinges on the ability to sustain differentiation. But let's be honest: Nothing is as black and white as Thiel professes. With that in mind the question is: Is your alliance…your new business…competitive or is it monopolistic…or something in between? This is not a trick question. There is no right or wrong answer. But ***KNOW*** and ***COMMIT*** to what business type your alliance is and build the **Plan of Record** accordingly.

George Rudnicki, a former IBM colleague and current partner, has helped hundreds of clients craft winning JPVs. He has also helped clients recognize the possible negative consequences of settling for JVPs that are not sufficiently differentiated and compelling in their target market space.

George's value proposition template has five elements:

- The target customer profile and the problems they wish to overcome
- The solution benefits mapped to the customer challenges
- How the alliance's joint solution is unlike its competitors' capabilities
- How the alliance's solution generates appeal and desire to act
- The reasons to believe that the alliance's solution is real

Here's a value proposition example using George Rudnicki's approach:

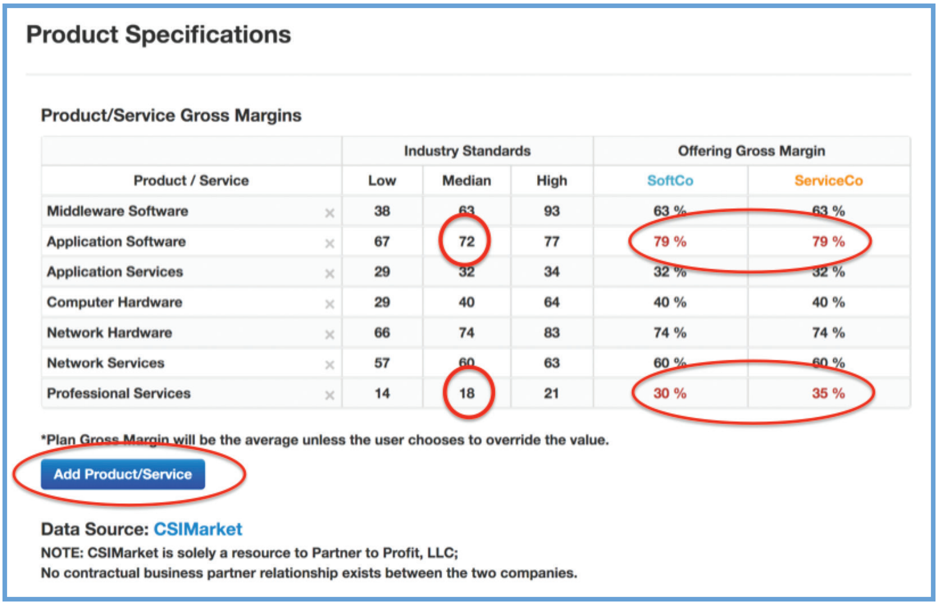
VALUE PROPOSITION – SALES AND ENGINEERING EXECUTIVES	
Target Customer	For Marketing and Sales and Line of Business Executives whose traditonal revenue is under siege from new business models, disruptive technologies, upstart organizations and empowered consumers…
Benefits for Awareness	**XYZ's Framework** enables clients to: 1 **Innovate business models** – develop strategies and roadmaps for new digital realities 2. **Seize digital market opportunites** – with an agile and flexible business infrastructure 3. **Connect with consumers** – establish and exploit relationships across channels
Unlike	Unlike proprietary or niche providers that deliver disconnected point offerings, technology firms with limited expertise, or Systems Integrators that lack integration technology assets and global delivery capability
Differentiator for Desire and Action	XYZ consistently provides business results through its industry leading combination of: industry insight, applied technology expertise, integrated solution capabilities and global reach
Reason to Believe	This is proven by: • Customer references: over 200 in reference data base • User Case Studies • Clients include: xx largest broadcasters, xx start-ups, xx information providers • Largest solution provider to the industry (over $1.3Bn yearly) • XYZ's open standards leadership • Industry skills and knowledge: 2,000 dedicated consultants, white papers, standards body participation, solution labs • Industry and Analyst endorsements • XYZ Partner Network: over 200 ISVs

Fig. 8 – The Joint Value Proposition

Plan of Record: Product Specifications

An alliance partnership joint solution is typically made up of a combination of individual products, technologies, intellectual property and services. Each of these solution components is produced or staffed at a cost. The cost of goods / margins factor into the calculation of the alliance's profit…whether GROSS or NET.

Partner to Profit, LLC, with data gathered from CSIMarket, has created a sample table of solution components with their respective industry margins and median ranges. Any industry median value can be overridden at will. In this example, the application software and professional services margins **have been changed** for each partner.



Product Specifications

Product/Service Gross Margins

	Industry Standards			Offering Gross Margin	
Product / Service	Low	Median	High	SoftCo	ServiceCo
Middleware Software	38	63	93	63 %	63 %
Application Software	67	72	77	79 %	79 %
Application Services	29	32	34	32 %	32 %
Computer Hardware	29	40	64	40 %	40 %
Network Hardware	66	74	83	74 %	74 %
Network Services	57	60	63	60 %	60 %
Professional Services	14	18	21	30 %	35 %

*Plan Gross Margin will be the average unless the user chooses to override the value.

Add Product/Service

Data Source: CSIMarket

NOTE: CSIMarket is solely a resource to Partner to Profit, LLC;
No contractual business partner relationship exists between the two companies.

Fig. 9 – Product Specifications

Components are easily added using a drop down wizard:

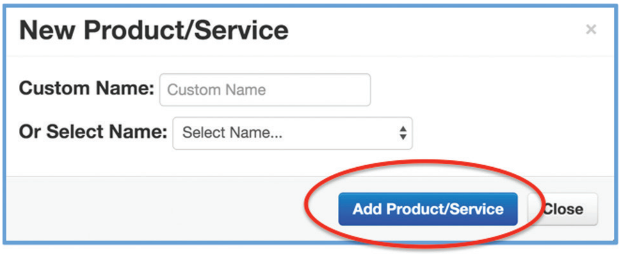


Fig. 10 – Adding a Product or Service

Plan of Record: Personnel (Human Resources)

As solution components come at a cost human resources – personnel – have associated burden rates. Typical burden rates in the U.S. may include salary, bonus, social security, 401K, disability, healthcare, pension and time off.

With permission and input from salary.com, Partner to Profit, LLC, has developed a sample table that includes common job functions/titles, each with a corresponding industry burden rate range, and then the actual burden rates of those positions for each partner.

Human Resources

Human Resource Labor/Burden Rates

	Industry Standards			Offering Labor/Burden Rate	
Skill / Job Description	Low	Median	High	Company A	Company B
Developer/Programmer	132	155	181	155	155
Marketing Specialist	82	100	125	100	100
Pre/Technical Sales	94	112	142	112	112
Solution Sales	109	127	157	100	127
Account Team Sales	166	215	302	215	200
Services Specialist	102	129	152	129	129
Education Specialist	120	144	168	144	144
Professional Services Consultant	148	174	209	174	174
Alliance Manager	141	184	227	184	184

Add Resource

Fig. 11 – Human Resources

Just as the product specifications can be overridden for each partner, so can industry personnel burden rates. In this example the solution sales and account team burden rates have been changed for each partner.

Additional job functions are easily added using a drop-down wizard.

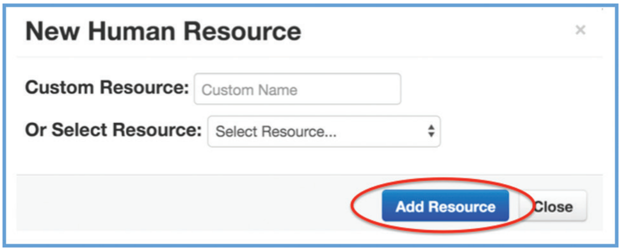


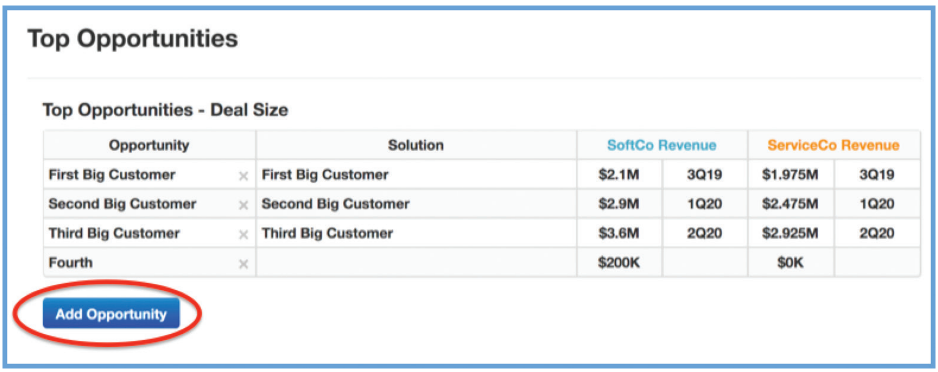
Fig. 12 – Adding a New Human Resource

Plan of Record: Top Opportunities

Some alliances are cold starts where the partners have no prior engagement experience working together. Other alliances emerge from continuing joint go-to-market activity. Whether a new start, or formalization of ongoing marketing and sales collaboration, Partner to Profit, LLC, ***strongly recommends*** inclusion of top sales opportunities. Securing early wins and referenceable accounts is not an option, it is an imperative. Identifying the top sales accounts and what resources will be required to close them should be priority one on both partner's action items.

Inclusion of Top Opportunities has three steps:

1. Using the Top Opportunity wizard list the opportunity name and the Solution
2. Generate a Bill of Materials that is specific to that opportunity.
3. Complete a Sales Engagement plan specific to that opportunity.


Top Opportunities

Top Opportunities - Deal Size

Opportunity	Solution	SoftCo Revenue		ServiceCo Revenue	
First Big Customer	First Big Customer	$2.1M	3Q19	$1.975M	3Q19
Second Big Customer	Second Big Customer	$2.9M	1Q20	$2.475M	1Q20
Third Big Customer	Third Big Customer	$3.6M	2Q20	$2.925M	2Q20
Fourth		$200K		$0K	

Fig. 13 – Top Opportunities

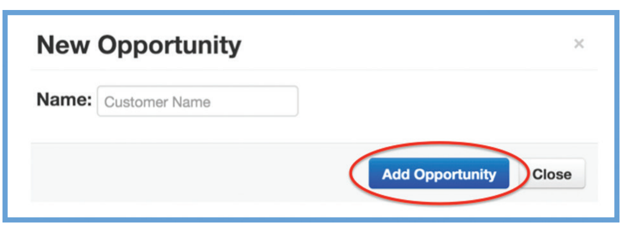


Fig. 14 – Adding a Top Opportunity

Plan of Record: The Joint Offering

What really kicks the **Plan of Record** into high gear is the generation of a Bill of Materials (BoM). Sometimes refered to as the Solution Stack, the BoM breaks down the alliance solution into all its essential parts and integrates them into a cohesive solution model.

Starting with a blank BoM template…

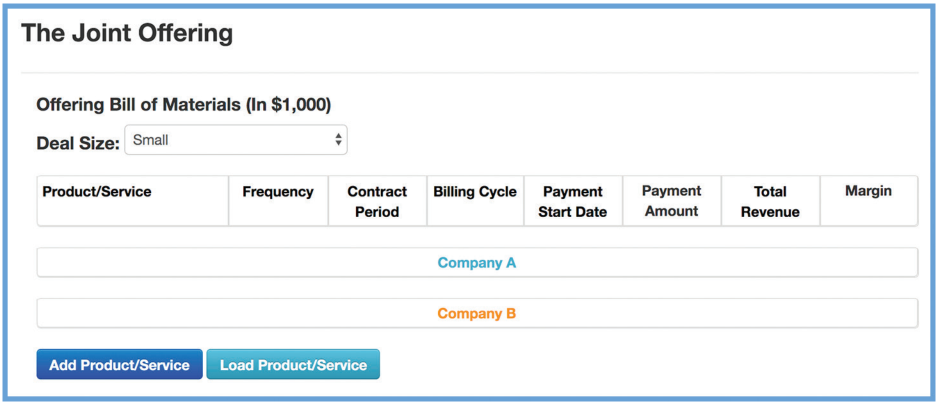


Fig. 15 – The Joint Offering Templates

…you select the scale of the solution bill of materials that you wish to generate: Small, Medium and Large are the default BoM offering sizes; then a BoM is created for each Top Opportunity.

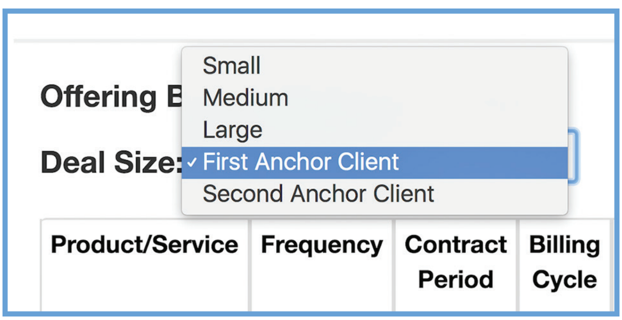


Fig. 16 – The Joint Offering – BoM Scale

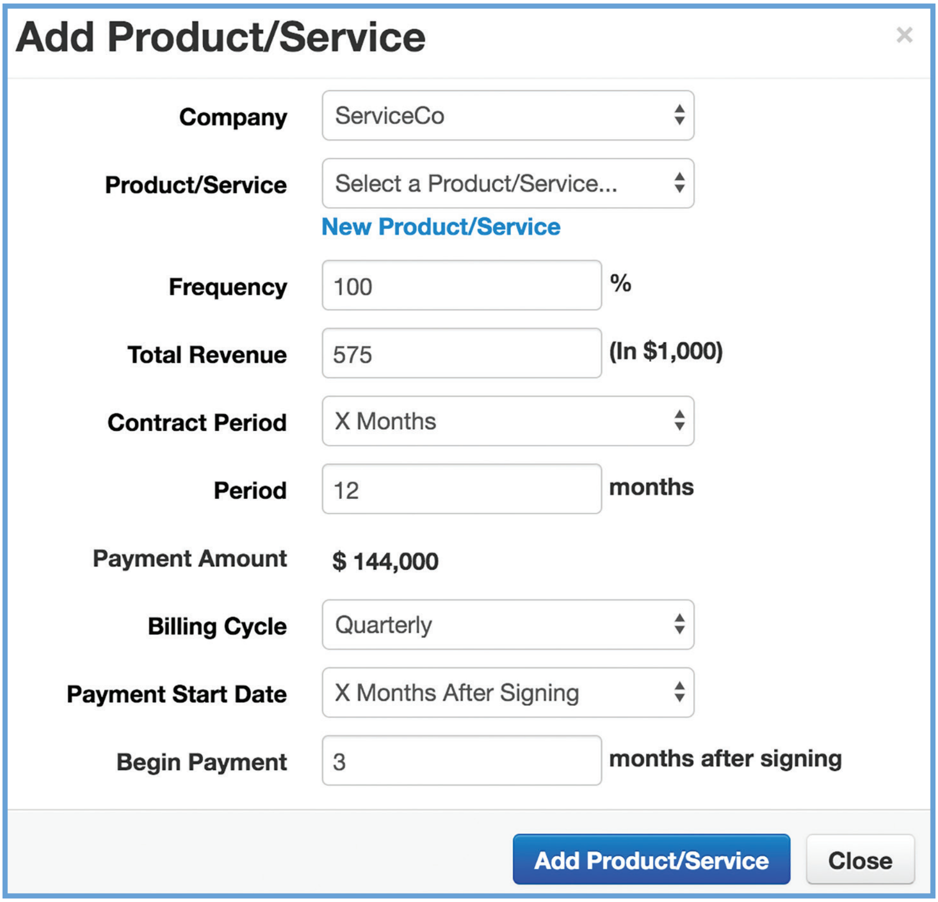


Fig. 17 – The Joint Offering - Adding a Component

Items included in a BoM:

- A product or service
- The frequency that it occurs in a deal
- Total revenue
- Contract period
- Payment schedule
- If deferred, how many months
- Service start date
- Service duration period

Bottom line: ***PtoP's*** method of generating a Bill of Materials offers a comprehensive suite of product, service delivery and billing options.

Plan of Record: Competition

THIS IS IMPORTANT!

THERE IS AN "INVERSE" RELATIONSHIP BETWEEN COMPETITIVE POSITIONING AND RESOURCES – PEOPLE, DOLLARS, TIME – REQUIRED TO CLOSE ONE DEAL. HERE'S AN ILLLUSTRATION.

Fig. 18 – Win Rate – Effect of Adding Sales Resources

Consider forecasting sales resource requirements where the lead-to-close period is 12 months, the forecast duration is 12 months and the objective is to close one deal. There are choices and corresponding consequences:

- If the anticipated Win Rate is *100%*, all is good. One deal will close utilizing *one* sales resource equivalent.
- However, if the Win Rate is *50%*, then an *additional sales resource* equivalency will be required.
- And so it goes if the Win Rate is *33%....a three sales force equivalency* will be required.

The consequences of not adding additional sales resources is the elongation of the time required to close one deal.

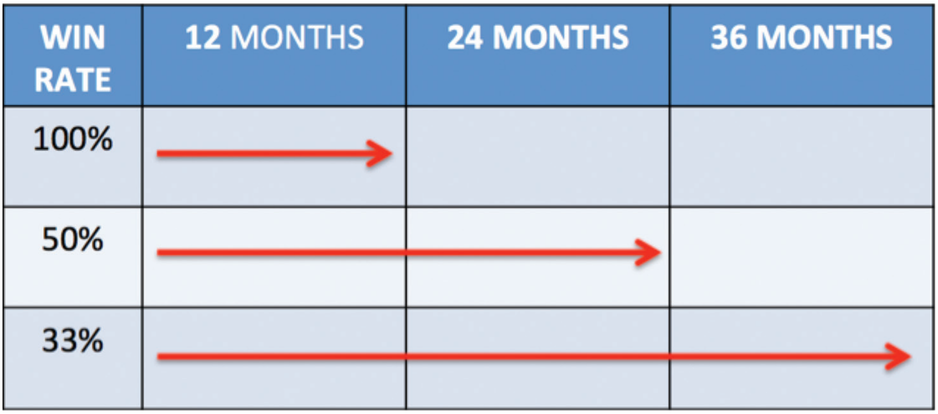


Fig. 19 – Win Rate - Affect of Withholding Sales Resources

It goes without saying that establishing competitive strength – a Win Rate – involves both science and art.

- Science – To the extent that objective (factual) criteria can be named, weighed on a scale and assigned relative numeric values
- Art – In that judging relative competitive strength includes subjective (personal) assessment

I wish to be very clear about the importance, **the necessity,** of each partner looking the other in the eye and agreeing on an estimation of resources – dollars, people and time – that it will take to meet ROI expectations for both partners. **Failure to do so creates a serious risk factor**. So let's build that competitive model.

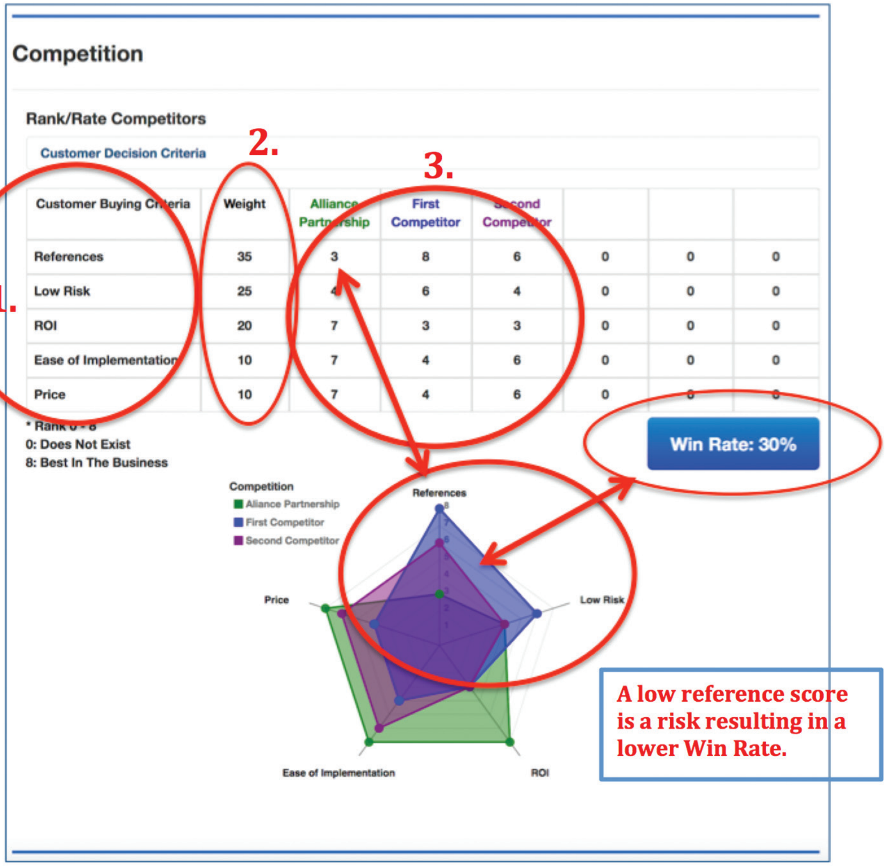


Fig. 20 – Modeling a Competitive Win Rate

Plan of Record: 3 Steps to Sketch Out the Competitive Landscape

1. List and rank the customers' buying decision criteria, most important to least.
2. Weigh – 0% to 100% – each of the top 5 criteria to reflect relative importance within that group of 5. Percentage total must be 100% - not 99%…not 101%
3. Score, on a scale from 0 – 8, the relative positions of the alliance and competitors.

1. List and rank buying decision criteria

   Some of the sources for buying decision criteria and their importance may include:

   Industry publications and reports
   Trade journals
   Consultant reports and studies
   Vendor reports or studies
   Services specialists
   Each alliance partner's experience and intelligence gathering
   Product evaluation services

   Note: Some form of ranking is often included in the resources listed.

2. Weigh each of the top 5 criteria

   Not all buying criteria have equal importance. A prime example is references. Industries such as financial services put a premium on the number and quality of references for a specific solution offering.

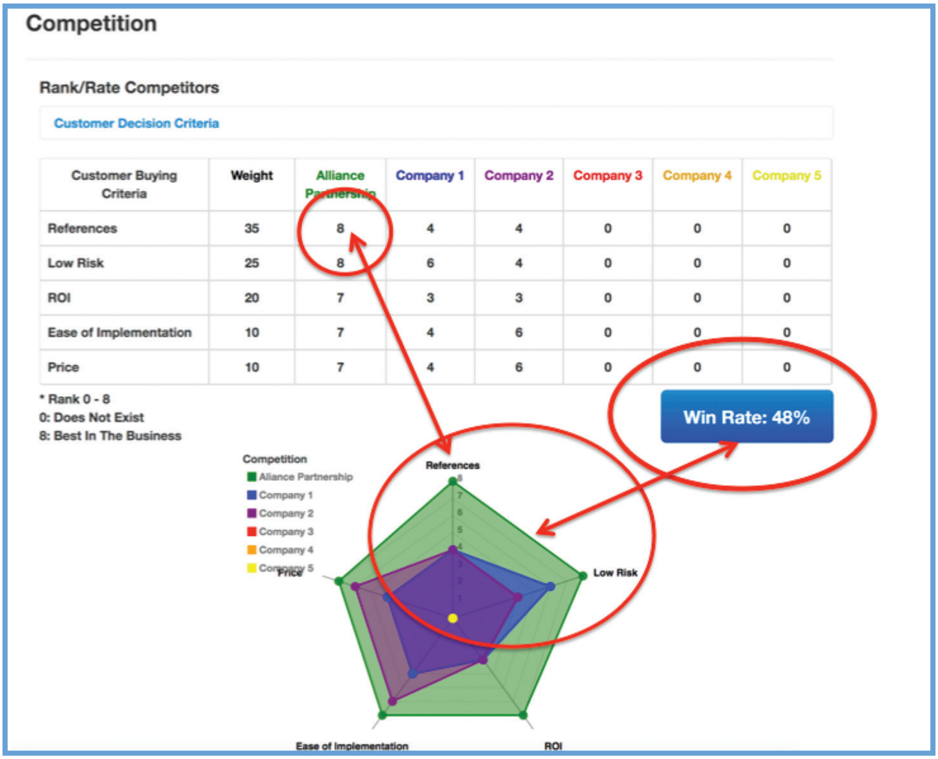
   PtoP allows the user to assign relative importance of each decision criteria as a percentage, the sum of all five being 100%.

3. Score the alliance's and each competitor's relative positions

   Using a scale of 0 – 8, the alliance and each competitor is scored. This step relies upon subjective evaluation.

   What constitutes a "0" and a "8" is up to the group or individual performing the evaluation to describe. The important factor is consistency.

The previous graphic demonstrates how a low score in a high value decision criteria (references in this case) drives down the Win Rate. Rescoring just the reference criteria reshuffles the RISK RATE, putting the alliance in a leadership position competitively and increase the Win Rate to nearly 50%! The impact of that position change **reduces the number of sales equivalency to close one deal from three to two!** Here's an updated chart reflecting that improvement.


Competition

Rank/Rate Competitors

Customer Decision Criteria

Customer Buying Criteria	Weight	Alliance Partnership	Company 1	Company 2	Company 3	Company 4	Company 5
References	35	8	4	4	0	0	0
Low Risk	25	8	6	4	0	0	0
ROI	20	7	3	3	0	0	0
Ease of Implementation	10	7	4	6	0	0	0
Price	10	7	4	6	0	0	0

* Rank 0 - 8
0: Does Not Exist
8: Best In The Business

Fig. 21 – "What-If?" Competitive Modeling

Plan of Record: Marketing

Fig. 22 – It's a Numbers Game

I don't believe for a minute that successful marketing is *just* a numbers game. But I do believe that a credible numeric analysis is required to validate whatever marketing strategy emerges.

A joint marketing strategy for an alliance goes beyond the numbers by employing tactics designed to exploit *a shared knowledge* of the market, the customer profile and buying behavior and of the competition. Collaborative marketing presents a prime opportunity to leverage each partner's unique marketing capabilities. For example:

- Joining together at trade shows that both participate in already
- Including each other in their respective customer events
- Pooling all social media to optimize visibility and promotion of the alliance

Each marketing tactic is recorded and stored by ***PtoP*** for use when building the project model. Some key elements of a marketing tactic include:

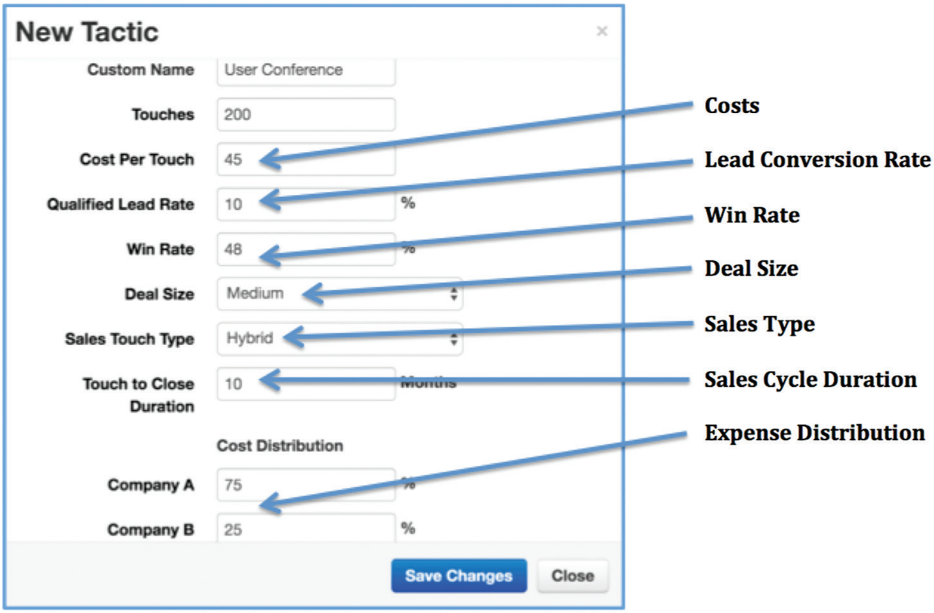


Fig. 23 – Marketing Tactics Wizard

When completed a tactical joint marketing plan could look something like this:

Marketing

Deal Size

Refers to the size of the deal for a specific marketing tactic. The Small/Medium/Large deal sizes are generated when creating the Bill of Materials in the Joint Offering section of the plan.

Tactics (In Dollars)

	Touches	Cost Per Touch	Qualified Lead Rate (%)	Leads	Win Rate (%)	Closes	Deal Size	Sales Touch Type	Touch to Close Duration (Months)	Cost Per Close	Total Cost ($)	SoftCo Cost (%)	ServiceCo Cost (%)
Trade Shows	300	75	15	45	20	9	Small	Hybrid	3	2500	22500	75	25
Customer Events	250	200	3	8	36	3	Small	High	4	16666.7	50000	50	50
User Conference	200	250	25	50	36	18	Small	High	5	2777.8	50000	10	90
Direct Sales Calls	10	400	20	2	36	1	Small	High	6	4000	4000	50	50
Totals:	760			105		31					126500	48875	77625

Add Tactic

Fig 24 – Tactical Marketing Plan

Fig. 25 – Nothing Happens Until Someone Sells Something

Plan of Record: Sales

This quote has been attributed to Tom Watson of IBM. In business, this maxim is not up for debate.

Selling for one partner company is challenging in itself. Selling for two partner companies in an alliance is disruptive at best and catastrophic at worst.

Rules of Engagement

Experience has taught me that in collaborative sales unwelcome things will happen, guaranteed. Some are unforseen while others could be headed off.

That same experience has also taught me that bringing the partner sales leaders together, **before sales resources and volume commitments are made**, can identify and work to resolve common joint sales issues. Examples could include:

- Roles/responsiblities in the sales process
- Sales incentives
- Sales cadence plan
- Sales attainment recognition
- Sales governance

As we turn to how ***PtoP*** assists in modeling different sales approaches consider this challenge:

Company A is a software company and Company B is an integration services company. Company A's salespeople are paid to make the sale as quickly as possible, bill it, then move on. Company B's sales focus is on developing a broader role in the client's longer term plans. The issue: A conflict between sales practices and processees.

There is no easy fix for this issue. The underlying conflict may never go away. What to do? Through face to face meetings and with management authority the partners must come together to discuss, debate and mutually agree upon the most positive sales approach for the alliance and for each partner.

The following chart illustrates how a cross section of skilled resources from each alliance partner can be allotted to each step in a six-stage sales process.

Sales/Services Resource Chart

Sales Type: Low Touch | **High Touch** | Hybrid | First Anchor Client | Second Anchor Client

Sales/Services Resource	Demand Generation	Presales	Qualify	Propose	Close	Services Implementation	Total FTE
Marketing Specialist	10 %						10 %
	10 %						10 %
Pre/Technical Sales		10 %			5 %		15 %
		10 %			5 %		15 %
Solution Sales			10 %				10 %
			10 %				10 %
Account Team Sales				25 %			25 %
				25 %			25 %
Services Specialist						50 %	50 %
						50 %	50 %

Add Resource | Load Resources

Fig. 26 – Joint Sales Engagement Template

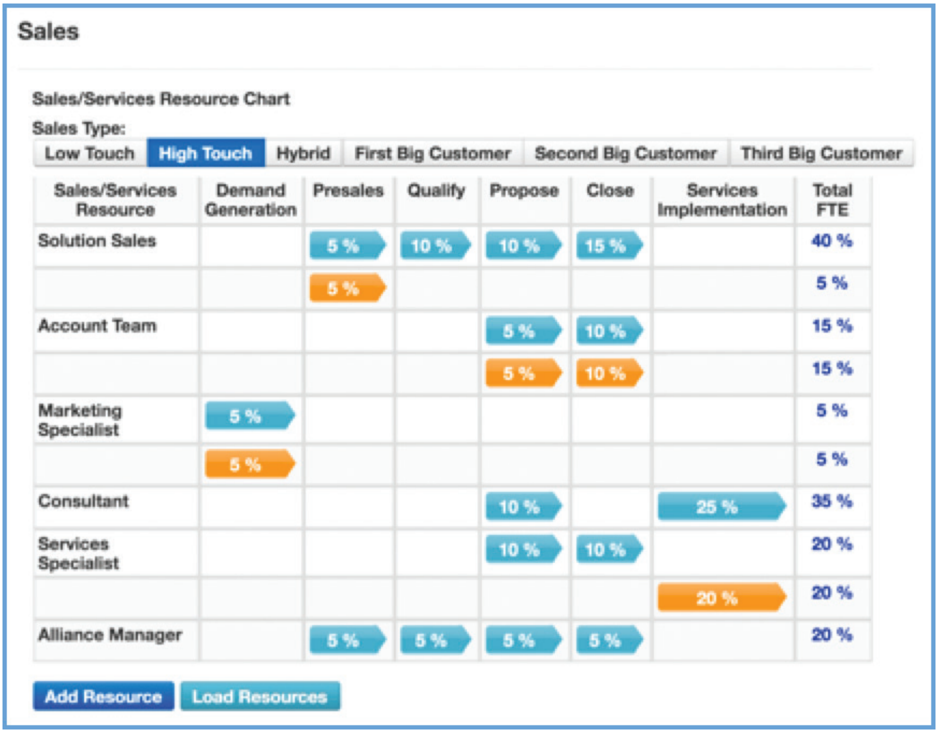
Choosing from a drop-down menu a skilled resource is selected, in this example a consultant. Then the partner affiliation is chosen, ServiceCo in this case. Finally, the annual percent of that resource's time is applied to one or more steps in the joint sales process. For this illustration on a yearly basis 50, 75 and 100 percent of skilled consultancy time is required in high-touch, first big customer and third big customer engagements respectively.

Three common sales types are incorporated into the model:

> **Low-Touch:** The sale is managed primarily from opportunity identification to sale through automation and inbound engagement.

High-Touch: The sale is managed predominatly through outbound or customer facing activities.

Hybrid: The sale is managed from prospecting to closure through a combination of low and high-touch sales types.



Sales

Sales/Services Resource Chart

Sales Type:

Low Touch | High Touch | Hybrid | First Big Customer | Second Big Customer | Third Big Customer

Sales/Services Resource	Demand Generation	Presales	Qualify	Propose	Close	Services Implementation	Total FTE
Solution Sales		5 %	10 %	10 %	15 %		40 %
		5 %					5 %
Account Team				5 %	10 %		15 %
				5 %	10 %		15 %
Marketing Specialist	5 %						5 %
	5 %						5 %
Consultant				10 %		25 %	35 %
Services Specialist				10 %	10 %		20 %
						20 %	20 %
Alliance Manager		5 %	5 %	5 %	5 %		20 %

Add Resource | Load Resources

Fig. 27 – High Touch Sales Model

The table above is an example of how a mixture of skilled resources from each partner is intended to take a high-touch sale, from demand generation to solution implementation.

Using the same methodology resources can be allocated to other sales types for this solution.

Plan of Record: Project Model

The Project Model documents the key actions and events of a twenty-four month high-level go-to-market plan that the alliance partners have agreed will bring their joint solution successfully to market.

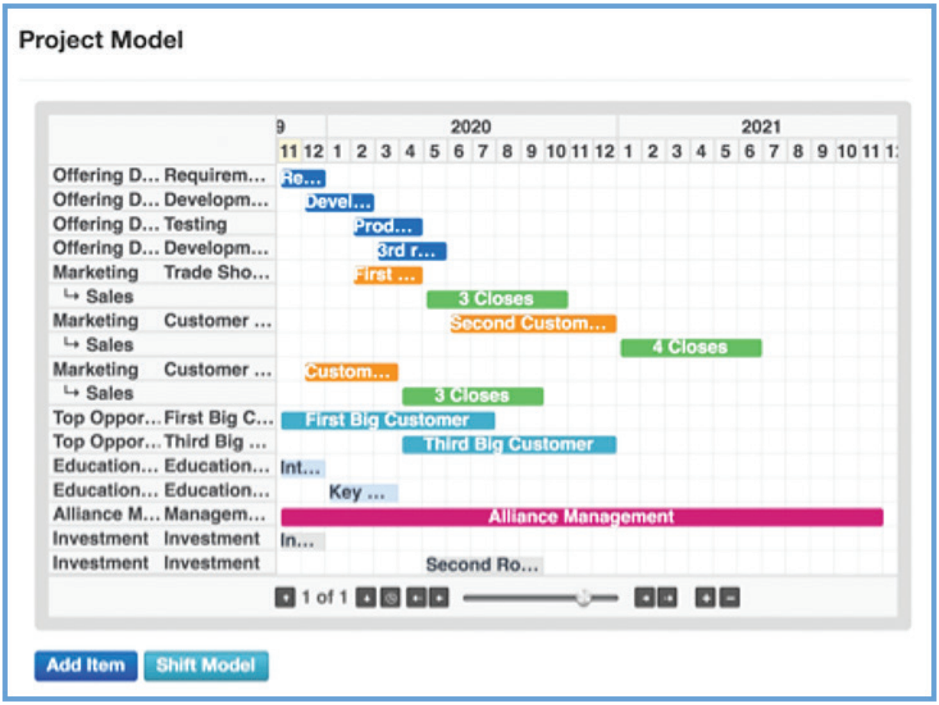


Fig. 28 – Plan of Record Project Model

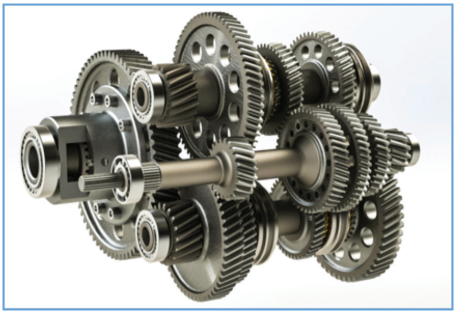


Fig. 29 – Gearboox

The power behind ***PtoP's*** Project Model is a "gearbox" that "crunches all the numbers." Select output of that computation includes:

- ROI estimate
- Detailed P&L
- 24-month:
  - break even chart
  - financial model
  - resource forecast

Plan of Record: Dashboard

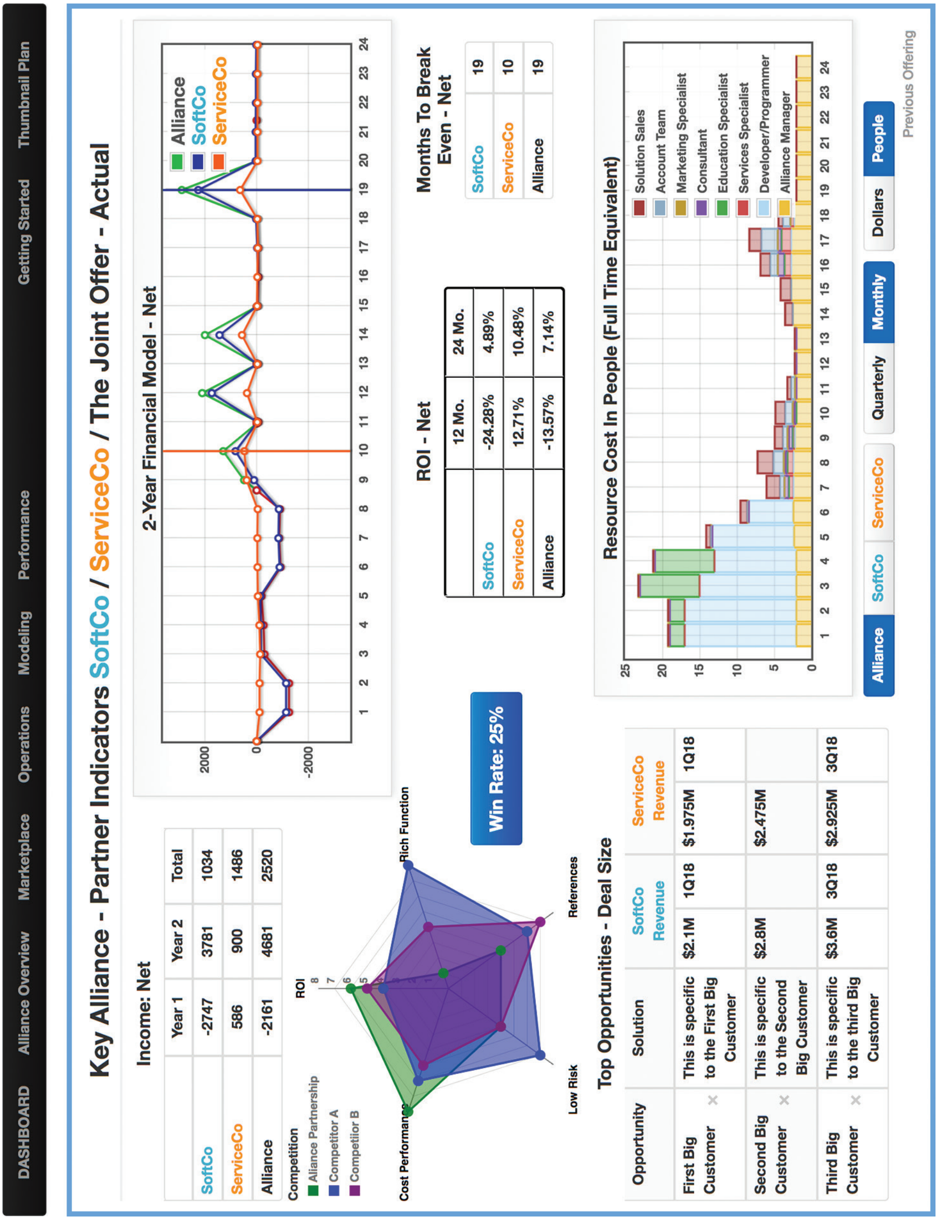


Fig. 30 – Plan of Record– Dashboard

Key **Plan of Record** measurements and KPIs (Key Perfromance Indicators) are consolidated and displayed in an information-rich dashboard.

Key Measurements / KPIs

- Gross or Net Income
- 2 Year Financial Model
- Competitive Win Rate
- Return on Investment
- Break Even Dates
- Top Opportunties
- Resources: People, Dollars and Time

"What-If?" Modeling – I

In this example the first round of planning resulted in an unacceptable break-even point for SoftCo of nearly twice that of ServiceCo.

PtoP's **Plan of Record** supports "What-If?" modeling that enables dynamic alterations to values and variables in the plan.

In this example the partners revisited the marketing component and chose to double the **Win Rate** and the **lead conversion rate**.

Those adjustments to the twenty-four month plan not only reduced SoftCo's break even from twenty months to thirteen months, but they also increased total alliance gross revenue from $36 million to $102 million.

The question to be answered: Are the new rates, values and assumptions consistent with the prior plan analysis? Can the revised model meet each partner's ROI requirements with the resources assigned? If not, what else must be adjusted?

Fig. 31 – Impact of "What-If?" Modeling – I

PART V

BUSINESS ANALYTICS AND ALLIANCES

The Impact of Business Analytics on Alliance Performance

What is Business Analytics?

Business analytics (BA) is the continuous exploration of a company's data. Companies committed to data-driven and evidence-based decisions view their data as a corporate asset. Business analytics help explore ways to turn that data into competitive advantage.

What Types of Business Analytics are There?

Business analytics fall into three general categories:

1. **Descriptive:** How did we get to where we are?
2. **Predictive:** What could happen in the future based upon prior trends?
3. **Prescriptive:** What decisions/actions might impact future performance?

BIG Data Analytics and SMALL Data Analytics at First Blush

Business Analytics isn't about scale…anymore. Until recently, "BIG Data" has been synonymous with "Business Analytics." Along with that top dog recognition came the reputation of being costly – large quantities of technology - and slow to act. That's OK when the objective is to forecast next year's weather, conquer cancer or take man to Mars. Too massive, too slow, too much. Then came SMALL Data analytics.

SMALL Data versus BIG Data: Think "agile" versus "complex"

Small data is:

- Personal – Targeted vs. Vast
- Responsive – Real-Time vs. Historical
- Bankable – Actionable vs. Interesting

Where **ARM** Intersects With Analytics

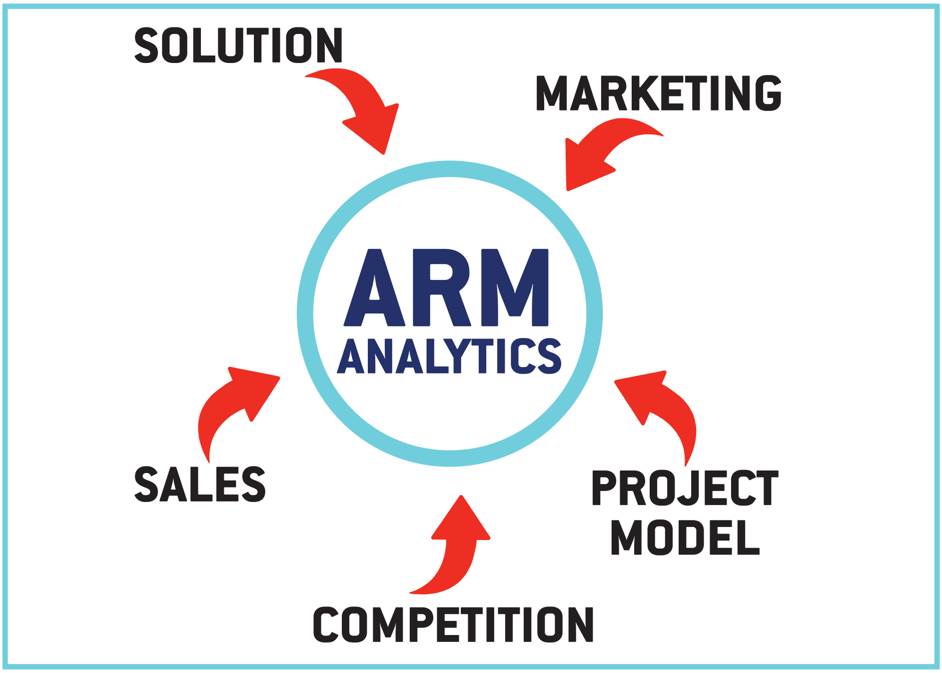


Fig. 32 – **ARM** Analytics

Alliances are businesses. Businesses employ various types of analytics to optimize their data for competitive advantage. **ARM** provides a digital platform for alliances that consolidates data from across the organization and enables Descriptive, Predictive and Prescriptive analytics.

IMPORTANT NOTE: The full measure of **ARM's** analytic potential is interdependent on existing platforms. The more prominent of those systems are customer relationship (CRM) and marketing (MARCOMM). Both CRM and MARCOMM systems deliver on BIG and SMALL Data analytics. But there are other systems that contribute to the completeness of an **ARM** analysis. Examples are Partner Relationship Management (PRM), Project Management (PM) and Learning Management Systems (LMS)

"What-If?" Modeling – II

"What-If?" Modeling

MARKETPLACE

The Joint Offering
Competition

OPERATIONS

Marketing
Sales

MODELING

Project Model

Fig. 33 – "What-If?" Naviagation

A feature of the **ARM** compliant system ***PtoP***, is the ability to perform five categories of "What-If?" analytic modeling. The first step is to build a **Plan of Record** for an alliance that is in the design stage, one being formalized or one under way. Then, based upon the actual or projected performance against select KPIs, adjustments can be made, evaluated, made again, evaluated again, etc. KPI examples include ROI, competitive Win Rate, net or gross income or time to break even, amongst others.

Examples of Plan of Record Adjustments Affecting Possible Outcomes

Each of the five "What-If?" categories has variables that, if modified, could change the performance of the joint solution. Examples include:

The Joint Offering:

Bill of Materials, Margins, Revenue Recognition Timing

Competition:

Customer Buying Criteria, Ranking, Win Rate

Marketing:

Event Design, Conversion Rates, Quality of Leads

Sales:

Sales Type Alignment, Deal Size, Number of Sales Equivalents

Project Model:

Type of Event, Scale of Event, Timing of Event. Here is an example of how the joint offering Win Rate can affect performance outcomes. **Spoiler alert:** Winning more doesn't always result in making more.

"What-If?" Competition – II

The initial competitive assessment for the joint solution produced a "Win Rate" – the percentage of sales engagements won – of 33%, or one out of every three sales engagements. At 33% the financial performance resulted in the alliance's two-year net income of $41 million or so.

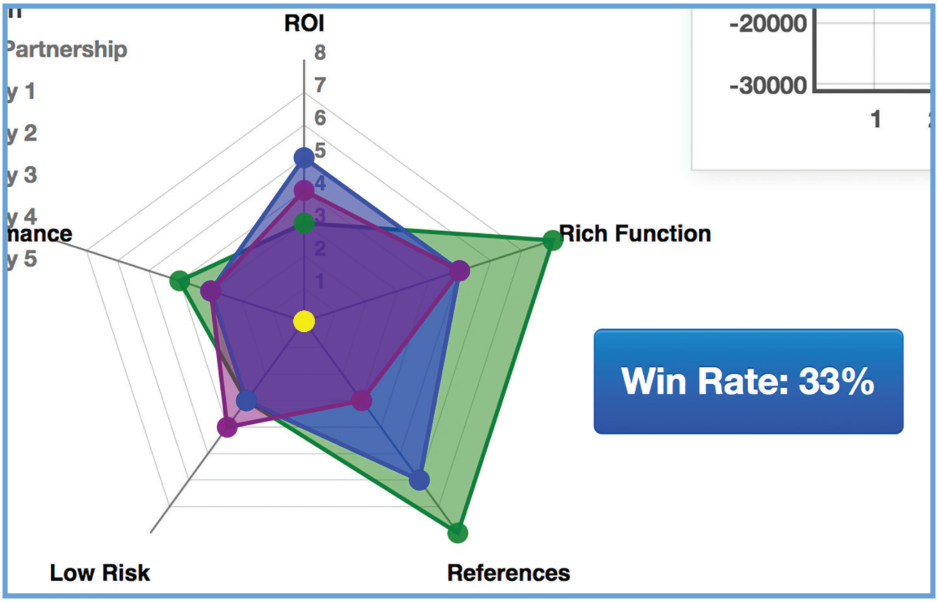


Fig. 34 – Win Rate Scoring of 33%

So at current course and speed, and barring any disruption such as a new market entrant, the alliance partners could reasonably expect to close one out of every three sales engagements going forward.

Income: Net Gross

	Year 1	Year 2	Total
SoftCo	31365	20116	51481
ServiceCo	8573	5465	14038
Alliance	39938	25581	65519

Fig. 35 – Income at a Win Rate of 33%

But during a quarterly joint management review it was noted that, in spite of high marks in two key customer decision criteria, sales performance was not as expected. After all, the rich function of the solution came at a hefty investment by SoftCo with a promise of a greater return than forecasted.

Where was there room for improvement? Cost performance and (financial) risk were tied to customer ROI. No place to look but the finances of a deal.

The team went to work modeling a range of numbers until they achieved a 50% Win Rate. What they found was that to achieve that higher Win Rate would require substantial discounting, born principally by SoftCo, the partner that had already made a significant investment in the joint solution.

NET RESULT: Though the team was closing more deals at a 50% Win Rate the overall alliance performance declined, ServiceCo's attainment remained flat and SoftCo bore nearly the entire brunt of the financial realignment.

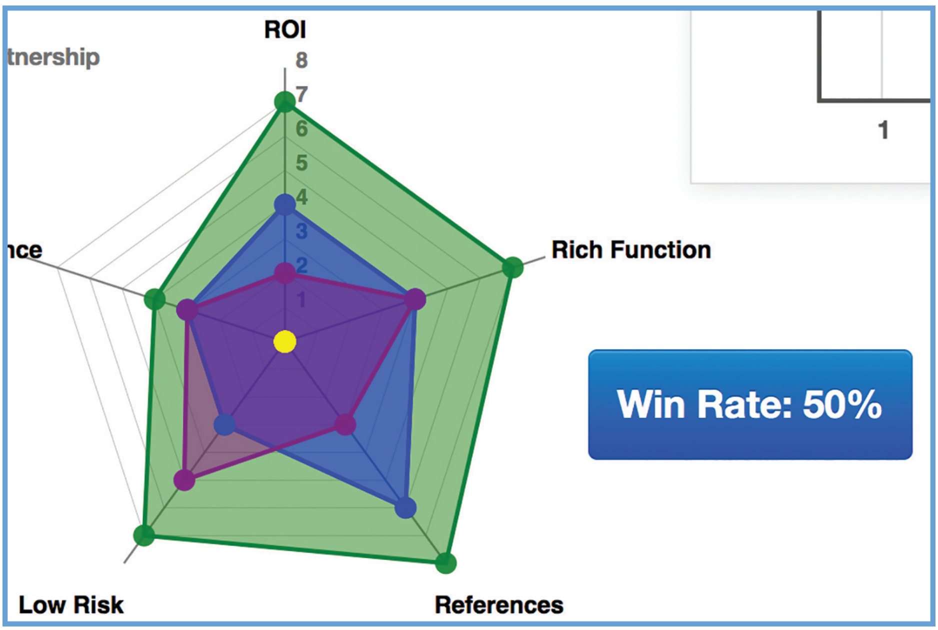


Fig. 36 – Win Rate Scoring of 50%

Income: Net Gross

	Year 1	Year 2	Total
SoftCo	18774	13108	31882
ServiceCo	5536	3476	9012
Alliance	24310	16584	40894

Fig. 37 – Income at a Win Rate of 50%

Descriptive, Predictive and Prescriptive: All three types of analysis have been employed in this example.

> We learned that the solution was generating what seemed like a reasonable amount of income but insufficient to meet expectations by either partner, SoftCo especially.

Predictive:

> Without any adjustment to the offering or how it would be taken to market, SoftCo's return expectations – requirements actually – would not be met.

Prescriptive:

> Applying the financial adjustments to the joint offering necessary to achieve the 50% Win Rate would come at a massive cost to the alliance and devastating one to SoftCo, but not to ServiceCo.

But getting back to the situation at hand: What does management from both partners do? Live with fewer sales – even though SoftCo's requirements for a financially adequate return go unmet? ServiceCo isn't taking much of a hit. Why should they care? But of course ServiceCo cares! There would be no alliance if they didn't….right?

A collective suggestion was made to drop the targeted Win Rate to 40% from 50% by cutting back on each partner's discount rates. That was modeled and though the number of sales dropped SoftCo's return improved somewhat. But it still wasn't sufficient to meet SoftCo's financial case to continue with the alliance.

At this juncture I would like to think that the two alliance executives put their heads together and came up with a bold…but not unreasonable…option: Have ServiceCo contribute a portion of their income to SoftCo.

As this was a bit of fiction we don't know what management decided. But I ask the reader: Playing the role of the SoftCo executive, what would you do? Or putting it another way, if you wanted to continue the relationship for reasons other than purely financial, what would be fair for both partners? What could you live with?

IN SUMMARY: Business Analytics and Alliance Performance

Businesses, in general, engage in analytics to look for ways to turn their corporate data into competitive advantage. Alliances are businesses. Therefore, alliances ought to seek ways to use their collective data for competitive advantage, just as their core business counterparts can.

Alliances, which are businesses, can benefit through the application of the three types of analytics, just as their core business counterparts can.

Both BIG and SMALL data are integral to alliance analytics, just as they are to core businesses.

Lastly, it is mandatory to stress that the science and art of analytics is an iterative process. It's not an option. It's not "one and done." It's all about continuous improvement.

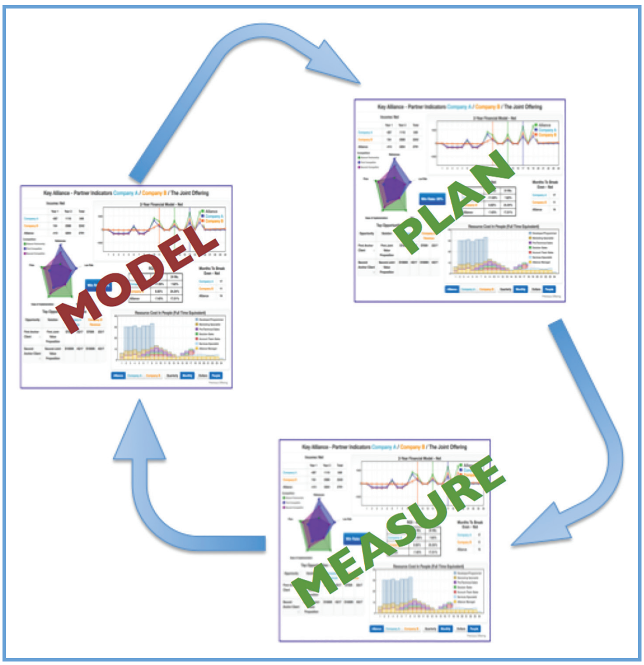


Fig 38 – Continuous Improvement

NOTES FROM THE FIELD: INSIGHTS AND ADVICE – II

Manage to the Market, Not Just to Capacity

For years I had a truly collaborative relationship with the Financial Services Risk & Compliance practice and a handful of the leading ISV (independent software vendor) partners operating in that space. There was plenty of business to be had for all, so long as everyone played their part.

One year, by the end of the first half, the sales teams were really cranking. The sales pace was ahead of plan and the teams were imagining a financially rewarding year. As we were preparing for our first half review I presented to my services partner the list of accounts forecasted to close in the 3rd and 4th quarters. The services practice leader paused, leaned back in his chair and said, "I'm sorry. I'm sold out for the year. I have no bench." This came as quite a surprise and more than a disappointment to the sales teams, the software provider in particular.

In hindsight the source of this dilemma lay in great part with inadequate longer-term planning between the sales and services teams. Had we built a **Plan of Record** with a twenty-four month horizon and performed some "What-If?" modeling, we may have had sufficient time to on-board additional services capacity to meet market opportunity.

Beware the "Hockey Stick Gotcha"

By the umpteenth executive alliance plan review my peer alliance managers and I had grown accustomed to having weeks of careful joint preparation and thoughtful forecasting upended in a blink of an eye. When we would arrive at the summary performance chart of the review - the break-even line graph that showed the alliance to be in the red until month 13 - the attending executives would politely but abruptly interrupt and say, "Thank you for some terrific work. We know that a lot of effort has gone into this plan review. But we're sorry. The alliance must do more, more quickly and with fewer resources than originally budgeted."

Alliances are new businesses. New businesses require investments to build the product, marketing, sales, service and support capabilities that will generate revenue to fuel company growth. Why some alliances seem to be immune from the basic tenet of investing before generating a return is puzzling and probably cautionary, like the canary in the coalmine. This might be the time to ask the question: Will the alliance have the required resources in order to build a successful business?

Until recently my peer alliance professionals have not had the ability to make real-time adjustments to show the effect of "What-If?" modeling on alliance performance outcomes. We were hobbled by spreadsheets and presentations and version control and time zones.

That has all changed with the advent of **Alliance Relationship Management**. Today, alliance teams can build a **Plan of Record** that enables real-time "What-If?" modeling and the impact that each change has on the alliance as a whole.

Put Facts Before Feelings

Frankly, I've never made a significant decision involving finances that did not have a mixture of facts and feelings. Examples are buying a house or choosing a degree of personal investment risk.

But I wish to believe that the majority of business decisions are based upon as many supporting facts and as much evidence as can be gathered. And yes, when all things appear to be equal on paper, we understandably turn to our intuition to take the decision over the line.

How can partners chart the soundest course to alliance success? By building a **Plan of Record** that gathers and organizes as many facts as are available to make informed and evidence-based decisions.

PART VI

MANAGING AN ALLIANCE PLAN OF RECORD

Governance: the Control to Trust Spectrum

Ard-Pieter de Man, in his book *ALLIANCES: An Executive Guide to Designing Successful Strategic Partnerships*, lays out in very practical terms how governance structures have been implemented between high profile companies in a variety of industries. In this book Ard-Pieter states, "…the most successful alliances build on creative alliance governance structures."

Cutting to the chase, there is no "paint by number" approach to determining which governance structure would best serve a given alliance. However, the governance structures and practices that each partner's parent company deploys in their core businesses provide both partners with a solid head start in determining which governance structure best supports the alliance and each partner.

The degree of influence between control and trust plays an influential role in shaping an alliance's governance structure. In a follow-on to his book Ard-Pieter, in an article titled *The Control-Trust Dilemma: Finding the Right Balance Makes It Easier to Arrive at an Effective Alliance Design*, maps out the control and trust approach to alliance design.

	CONTROL	TRUST
Alliance assumption	Partners look out for their own self-interests	Partners benefit from a common interest
	Conflicts of interest are likely to arise	Joint growth and development ensure long-term alignment
Alliance design challenge	Prevent opportunism	Build social capital
View on alliance design	Target driven	Vision driven
	Value appropriation	Value creation
	Rule based; details contracts	Principle based; norms and values
	Extrinsic motivation	Intrinsic motivation
	Strong senior management control	Senior management as coach

Fig.39 – The Control to Trust Spectrum

Managing an Alliance: The Professional Alliance Executive

The American Management Association and Pearson Talent Assessment collaborated with the Society of Human Resource Management (SHRM) and the Association of Strategic Alliance Professionals (ASAP) and conducted a study titled "Today's Alliance Professional…Tomorrow's Strategic Leader." The purpose of the study was to learn more about the work characteristics (e.g., personality style, critical thinking) of strategic alliance professionals. A key goal of the study was to identify a "Star Profile" of top strategic alliance experts to highlight the capabilities these professionals possess that differ from their less experienced peers in the field.

Work Styles:

The study found that alliance professionals scored high in areas of independence, sociability, leadership, initiative, cooperation and innovation. These styles are often identified with management and executive-level behaviors.

On the other hand, this group did not score as highly in persistence, attention to detail and following the rules, a profile sometimes associated with sales professionals.

Critical Thinking:

The strategic alliance professionals achieved high scores when compared with other professionals. They scored higher than managers and identical to directors and executives. These results show that strategic alliance professionals have well-developed critical thinking capability.

The "Star Profile":

Top experts differed from their peers in several ways.

- More independent and sociable
- Higher critical thinking and leadership orientation
- Higher level of concern for others

Overall Profile of Top Strategic Alliance Experts:

- Dynamic individuals who care about and connect with others
- Constantly reach out and network with people
- Very strategic and likely to find and create opportunities

- Use their critical thinking skills and independent and innovative styles
- Likely to feel bogged down if required to devote energy to strict procedural demands and attention to detail

The study included an assessment of opportunities for alliance professionals to grow and develop. One area the assessment highlighted is "maintaining financial fluency." It stated:

> *"In challenging economic times even worthwhile programs can be cut, so it is important to appreciate the fundamental financial drivers of the business and be more conversant in understanding business drivers and presenting and defending proposed plans."*

Finding alliance professional candidates who possess all these characteristics is like looking for a needle in a haystack. But that is not a reason to be any less diligent in looking for the right match.

PART VII

SMALLCO VS. BIGCO

SmallCo vs. BigCo

What follows is not an impartial look into the dynamics of a small company – SmallCo – entering into an alliance with a big company – BigCo. Intuition may suggest that BigCo is, by virtue of its scale, the de-facto dominant partner in the alliance. Take heart SmallCo. It need not be that way.

The intended takeaway from this discussion: **SmallCo can and must lead to succeed.**

"The Chicken and the Pig" Conundrum

Every day, across all industries and around the world the SmallCo/BigCo underdog story plays out. The corresponding profile characteristics of SmallCo and BigCo puts the two company types seemingly at odds with each other. But opposites often attract because each has something that the other needs in order to succeed.

Because SmallCo has fewer resources they are at a disadvantage from the get-go. They often roll the dice and bet heavily on the **potential** of a relationship with BigCo. Where BigCo is in a better position to **weather** delays or losses,

SMALL COMPANY	BIG COMPANY
Embraces Risk	Avoids Risk
Sense of Urgency	Slow Moving
Creates new Ideas	Protects Old Ideas
Bottom-Up	Top-Down
Idea-Centric	Rules-Centric
Nimble	Bureaucratic
Fire-in-the-Belly	Complacent
Emphasizes Growth Over Profit	Beholden to Shareholders

Fig 40 – SmallCo / BogCo Characteristics

SmallCo could easily see their investments evaporate. In short, SmallCo is committed all the way, whereas BigCo is simply involved.

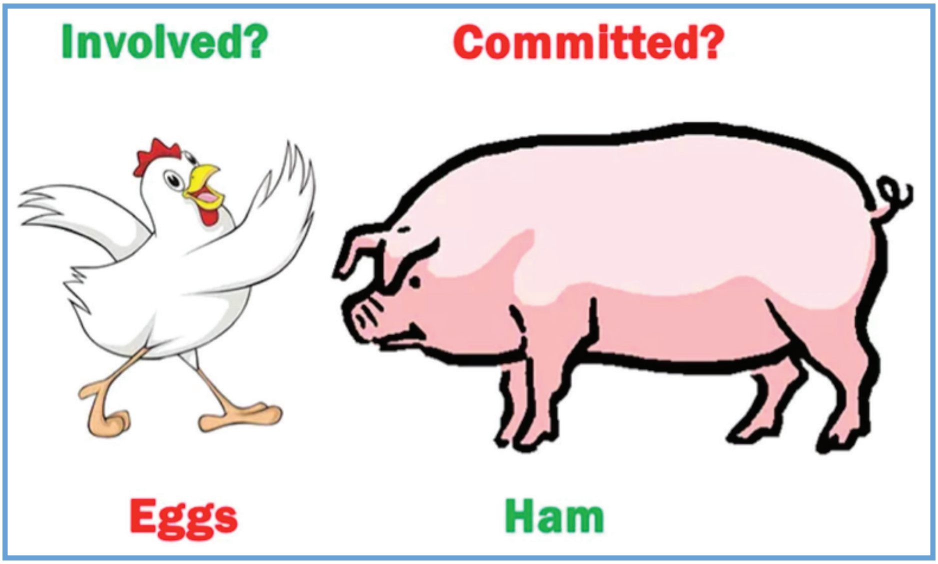


Fig 41 – Involved or Commited?

Challenges

Let's step back and explore where the seeds of dissonance are sown.

Misguided Intentions:

SmallCo sets out to align with a larger company so that they can "punch above their weight" in the market. Their expectations of partnering with a large firm typically include immediate access to prospect lists, a customer install base and a large sales force. They are prone to invest disproportionately, which to them is a sign of their commitment to the relationship. They want someone to go steady with.

BigCo, on the other hand, scouts for innovation partners to take them into the future. They "test drive" relationships with a number of firms to see which ones rise to the surface. They look for predictable revenue. They hedge their investment bets as precursors to "greater involvement" in the alliance partnership, or even possible acquisition. They want to date, not go steady.

The Unraveling:

Together SmallCo and BigCo share in the future outcome of their relationship. Neither can claim the higher ground when things go astray, which they inevitably do.

Troubles can fester when SmallCo misreads without verification BigCo's intentions and BigCo is not altogether forthcoming with its real interest in a relationship. Tangible evidence of those miscues might come when either partner reduces its business development budget.

Poor management decisions, such as focusing on dazzling marketing events and materials instead of closing deals, reduces the odds of success. Efforts to bolster the relationship's progress in the public's eye can lead to embellishing the volume of business waiting to be harvested, never a prudent move. In spite of these warning signs, neither party is willing to call it a day, just yet.

Remedies

In the early 1980's, during the period of the nuclear arms negotiations with the Soviet Union, President Ronald Reagan repeated the mantra "Trust...but verify." Companies that set out to lay a solid alliance partnership foundation would be well served to heed that advice. Enable trust between partners by building together an agreed to **Plan of Record** that documents how the alliance will achieve its goals and objectives and at what costs and by whom.

So, what must a SmallCo do in order to have an equivalent seat at the table with a BigCo?

First, exert a planning initiative to build the case for action. This can be accomplished by shaping the strategy and execution plan to capture the target market. SmallCo must demonstrate its worth as an equal partner through the quality of its insights on the market opportunity and the differentiation of its offerings. Implicit in this take-charge role is presenting to BigCo at every turn the quantified value that SmallCo delivers to their success.

Second, SmallCo must provide meaningful insights for the creation of marketing, sales, services, support and governance strategies. This begins with articulating a highly differentiated value proposition for the joint solution.

Finally, SmallCo must insist on a jointly developed **Plan of Record** that quantifies the resources – people, dollars and time – that each partner agrees to provide.

Simply put, **SmallCo can and must lead to succeed**.

Primary Source:

Philip Lay (play@chasmgroup.com): *The Chicken & The Pig – The Critical but Elusive Art of Making Strategic Alliances Work,* February 10, 2016.

NOTES FROM THE FIELD: INSIGHTS AND ADVICE – III

Be Specific About Wants Versus Needs

A few years back I was fortunate to participate in a Harvard Law School workshop on mediation led by Frank Sanders. Sanders, a long-time professor at Harvard Law, was a pioneer in alternative dispute resolution. I took away two basic but crucial nuggets involved in dispute resolution that apply to the alliance profession:

The vast majority of civil cases, as much as 90% by some counts, are settled and do not go to trial.

Based upon the 90% statistic it strikes me that mediation skills, for alliance professionals in particular, are in greater demand than litigation experience.

Be clear about what the plaintiff **wants** to achieve – a satisfactory outcome – as opposed to what the plaintiff **needs** to satisfy that outcome.

One alliance partner might say, "I **want** this partnership to deliver ten million net incremental dollars in the first year." For whatever reason the other partner might consider that too steep a hill to climb and counter with, "How much incremental revenue do you **need** to make this partnership a viable business for your company?"

Hone Your Alliance Executive Hiring Profile

Over the course of my career at IBM I hired or participated in the hiring of dozens of alliance professionals to oversee go-to-market alliances. The job descriptions called for individuals with industry subject matter expertise, a history of successful alliance development and management, AND a demeanor suitable for senior level interaction. True, folks who fit that bill completely came by once in a blue moon. The question then was, if you can't find candidates who have all three, which two – or one – is the most important?

Process of elimination: Whether subject expertise or salesmanship is deemed to be the most important alliance professional capability, the competence to operate at an executive level is an essential base-line attribute, no matter what.

The decision then comes down to which attribute can be taught/learned in the shortest period of time. That's not such an easy question to answer. Some candidates may be verbal learners and quick studies, a quality better suited to subject expertise. Other candidates may be more visual and experience-based learners for whom sales skills come more naturally.

While debating the importance of one attribute over the other, it is crucial to keep in mind the single most important criteria that the alliance professional will be evaluated on: "How have you grown the alliance?"

So the answer is: "It depends."

- First, it is important that the partners discuss openly what attributes/skills – subject matter and sales - will be required to beat competition.
- Second, the partners discuss and decide who will provide those resources and associated talents.
- And third, this is where a joint **Plan of Record** fleshes out these issues upon which a successful sales process can be built.

Honor Your Partnership in Both Deed and Spirit

This is a ***CARDINAL-RULE*** of partnering (Definition: A fundamental rule, upon which other matters hinge).

> The partners go to the mat together – win or lose – unless the prospect/client stipulates that they wish another option to the partners' joint offering.

A well-developed **Plan of Record** addresses the ground rules of sales engagement down to specific joint opportunities.

PART VIII

IN SUMMARY

There's a Clearer Path to Successful Go-to-Market Alliances

In her foreword Norma Watenpaugh wrote:

> *"Keith also includes several "Notes From the Field." These are keen learnings from the University of the Real World. Those of us in the profession all have them. While we like to share our success stories, the horror stories are where we learned our craft. By sharing them with you, Keith offers you the opportunity to apply what he has learned and save you some dyspepsia."*

High performing and sustained alliance partnerships pay dividends that validate the effort needed to create them. 21st century tools are nothing short of game changers that justify the effort expended. Applications such as ***PtoP*** help unlock elusive alliance management challenges. Examples are ROI estimation, partner alignment, resource allocation, sales engagement rules and "What-If?"Modeling, and others.

I continue to work with determined alliance professionals in pursuit of ever more successful alliances. My approach has been to break down the alliance development and management process into the **necessary steps** to increase the likelihood of achieving that success.

The methodology and insights that this guide delivers are designed to increase alliance performance.

In summary:

- Alliances are businesses that must engage in active planning, using 21st century tools, to close joint sales early, minimize risks and identify areas of mutual opportunity.
- Alliances operations need to mirror the partners' core businesses, starting with the development and ongoing use of a **Plan of Record**.
- Alliances can achieve measurable benefit from the application of business analytics.
- Whether partners are big or small they can be co-equals when aligned through a **Plan of Record**.
- Alliance management is a human endeavor that, to be effective, puts into the hands of skilled professionals 21st century tools to enhance control, manage risk and accelerate growth.

ADDENDUM

Run Alliances Like Business — *Not Like Appendages*

Keith Gaylord
CEO, Partner to Profit, LLC

Norma Watenpaugh
CEO, Phoenix Consulting Group, LLC

HOW BUSINESS CASES ARE DEVELOPED AND APPLIED IN THE MANAGEMENT OF ALLIANCES

Introduction

Alliance management is a relatively new profession even though human collaboration is old as the human race. Only in the past fifteen years has there been an effort to truly define the business practices and competencies required to form and manage effective business collaborations. While forming relationships seems to come naturally to people, managing business relationships to consistently exceed expected outcomes has not. Hence, high rates of alliance failure or under performance which have been reported as running between 40 to 70% in several academic studies over the years.

Many of the most successful alliances manage their alliance initiatives like businesses, applying the best practices of running a business and integrating alliance operations into the core of their business. A business case is essential in understanding what factors contribute to alliance success.

This does not diminish the importance of managing the 'relationship' side of alliances, ensuring that conflict is managed, diversity is harnessed into innovation, and trust is nurtured, but business outcomes can only be achieved through a solid understanding of the underlying business case.

An earlier study[1] focusing on alliance's business planning practices identified three behavior characteristics of higher performing alliances:

- Successful alliances had more formal processes for plan approval and dissemination to stakeholders.
- Successful alliances have greater involvement of high level executives in the planning and actual results review processes. Additionally, when actual results were mutually reviewed with the partner alliances performed better.
- Successful alliances had planning processes that were more similar to the way that their organizations formally planned other aspects of their businesses.

Partner to Profit, LLC, and Phoenix Consulting Group, LLC, have collaborated in conducting research to understand current practices in the development of businesses cases within alliance management operations and how those business cases are used to inform decision makers in setting performance objectives and investment allocation.

[1] 5th State of Alliance Study: Business Planning Processes, Dave Luvison, Ard-Pieter de Man, and Keith Gaylord 2015

Research Snapshot

The research was conducted by phone interviews in June and July of 2015 and directed to twenty global alliance professionals that represented line alliance managers to senior alliance executives. They are predominantly from Fortune 50 companies in the technology sector with a sampling of pharmaceutical companies. See Appendix A.

Discussion focused on five areas of discovery:

- What business function or level sets alliance business objectives, investments and expenses?
- Are business cases developed and applied?
- What business case tools are in use today?
- How effective are they…what are their shortcomings?
- How are documents stored and shared?

Research Highlights

Business "Case" and "Plan" often Undifferentiated

PRIMARY METRIC IS REVENUE NOT ROI

"On the sell side, the business case focus is on the short term revenue in the quarter."

Most alliance organizations, especially in the technology sector, do build an annual business plan for their alliances and review performance on a quarterly basis. But in our discussions, business case and business plan as terms were used interchangeably. Business cases typically focus on a single initiative or joint offer for an alliance. The initial purpose of the business case is to model the future performance of a joint offer to determine if the investments and effort will create a suitable Return on Investment in an acceptable time frame. A business plan provides an ongoing roadmap to manage the performance of the business. More specific differences between business case and business plan are profiled in Appendix B.

While revenue forecast is de rigueur, other elements such as profitability, margin contribution, resource requirements or ROI were not always part of the exercise.

Business Cases Widely Used but Inconsistently

While many of the interviewed alliance professionals indicated they did develop business cases for their alliances, it was rarely with any consistency. Often, business case development is a solo exercise for their own purposes and not as a part of overall strategic investment planning.

Still there were a handful of alliance organizations that conducted disciplined business case and business planning development and linked those exercises to the corporate strategic planning process.

The planning horizon for the technology sector was typically on an annual basis with quarterly business reviews and the primary metric was revenue.

Pharma alliances have a much longer horizon given the protracted product development cycle. Business cases were developed at the onset of an alliance and typically not revisited unless there was a compelling event, such as a new competitor or poor results coming from clinical trials.

No Industry Standard Template

> **C-SUITE INVOLVEMENT**
>
> *"Partnership is fully developed internally, then jointly with the prospective partner, presented to the executive leadership team representing key operations: marketing, product, finance etc. Adjusted as needed then presented to the C-suite: CEO, President, COO, CFO."*

A few alliance organizations use standard approaches and templates across the alliance portfolio. This best practice enables the alliance organization to balance resources and investments across many alliances according to their relative value. However, in many alliance organizations, there is no standard template for business case and plan development in use internally, let alone one that spans the industry. Alliance professionals are left to create their own. As one respondent said, "No dashboard, no tools. Each person has to do the analysis themselves and each has a different skill level in Excel, so quality varies. Each person looks at metrics differently."

Where many are taking a Business 101 approach, evaluating the market opportunity, competitive landscape as well as top line revenue and expenses, there are also big gaps in the financials. Measuring ROI is problematic. Revenue attribution is hard to capture in sell-with relationships. There is always the debate on what constitutes alliance-influenced revenue. Real cost numbers are often elusive other than perhaps marketing spend.

Decisions are Made High in the Organizations

About 50% of the twenty alliance professionals we spoke to indicated that C-level executives are involved in the business planning process, which is an indicator of the importance the organization places on the strategic value of alliances.

For others who do not have C-level visibility, it is still common for the leader of a functional organization, such as Sales or Marketing or a Business Unit leader to be involved in the decision-making. A minority of the twenty alliance professionals indicated that their alliances are directly linked to a P&L.

Partner involvement tended to be at the back end of the process and varied from critical to as-needed. One alliance professional commented that the "most successful alliances do include the partner"…in the business case development process. Another commented that partner involvement is problematic when the partner is also a competitor and there are limitations in what can be shared.

Last Century Tools in a 21st Century World

LAST CENTURY TOOLS

"No dashboard, no tools. Each person has to do the analysis themselves and each has a different skill level in Excel so quality varies."

What are alliance professionals using to manage their businesses? Spreadsheets and presentations prevail. Sales and Channel organizations have moved their operations to enterprise platforms. Customer Relationship Management (CRM) systems are in wide use throughout these organizations and to some extent applied to the management of alliance revenue. But CRM systems are inadequate for business case development and are poor tools for business planning, especially for alliances. Partner Relationship Management (PRM) systems are in place for channel organizations, but these systems are purpose built for one to many ecosystems and the business planning tools available in these systems tend to be rudimentary. So where is the ARM, the Alliance Relationship Management system?

Cloud Sharing NOT in High Use

Planning documents when shared are more often than not emailed back and forth. Internal to an organization, many interviewees made mention of SharePoint sites. But sharing through the corporate firewall is not happening. Internal systems are not suited for sharing through the firewall. There remains concern about using cloud repositories for company sensitive information. A few alliance professionals slyly admitted to unofficially using Dropbox or Google Docs for their convenience in sharing planning documents with partners….at their own peril.

Manage Alliances like Businesses Not Appendages

> **RUN LIKE A BUSINESS**
>
> *"I would agree with the statement that we know how to create an alliance; we now need to run an alliance like a business."*

Managing alliances like businesses, taking a more rigorous management approach, resonated with the survey group. As one of our interviewees remarked, "Run alliances like businesses not like appendages." Having better insight where new investments could have impact on alliance success would enable alliance professionals to be more effective in managing alliance outcomes. In a few instances alliance professionals remarked that each alliance is resourced based on its own merits and contribution to a business unit or P&L. For the majority, alliances are resourced from a top down budget and it is up to the alliance executives to allocate budget from that fixed pool.

What is lacking is an accurate picture of alliance ROI and the "levers" that could change the business case outcomes and enable fact based decision making around investments and performance. As one alliance professional remarked, "We don't have a discipline to understand what the real investment is."

What's Working? What's Not?

The Good News

Alliances, as a business model, are mature within the technology sector and within the pharmaceutical companies participating in the survey. Alliance processes and practices are well understood if not uniformly applied and these companies depend on alliances to achieve strategic growth objectives.

Many of these organizations rely on partners for greater than 50% of company revenue, alliances being a large part of that percent in addition to channel partners. In many cases the route to market for alliances offerings is through the channels.

EVIDENCE OF STRONG JOINT GOVERNANCE

"Executive sponsors, QBRs, weekly cadence with principals on tracking pipeline and enablement; as well as milestone reviews on technical development, training and messaging."

Governance practices such as the QBR or quarterly business review are ubiquitous and effective. Some alliances have even more frequent governance to manage pipeline and sales cadence.

Alliance management as a profession seems to be gaining in stature and recognition. Alliance professionals are taking on a very expansive role in managing alliance activities across business units and across functional groups though their management role is currently confined to one of influence and alignment. As remarked by one of our interviewees, "Alliance managers are general managers, but without teeth."

The Challenges

Demonstrating the Full Value. Alliance professionals struggle to demonstrate the full value of their proposed or in place alliances. They have difficulty showing a clear, hard line between corporate strategy and alliance contribution. Their challenge is to articulate that alliances are growth engines for the company and …"here's how and here are the numbers." The numbers are there but difficult to extract when the typical company accounting and sales systems are not designed and built to capture the incremental revenue and costs linked to the operation of an alliance.

Tracking incremental revenue. Starting with the top line, alliance revenue is not easily isolated from business as usual. Organizations tend to track sell-with sales in the CRM system, but identifying the level of influence a partner may have had in the sales cycle continues to be difficult, often dependent upon a direct sales rep to tag the sale as a partner sale. Our interviews reinforced the claim that sales reps, intentionally or not, at times disallow credit for a partner's sales contribution.

Channel sales are clear-cut but when an alliance offer meets in the channel, the issue of what is attributable to an alliance becomes clouded again.

Isolating incremental costs. Tracking costs of operating an alliance is often difficult because again it is hard to separate what contributions are directly related to alliance activity and what is normal business operation. For example, marketing staff may be assigned to execute on alliance marketing activities, but there is no means to track how much time is dedicated to alliance activity versus other activities. This also means that since it is hard to isolate the contributions of these individuals, it is hard to recognize and reward their efforts.

Also problematic is that some portion of the alliance headcount and expenses are on the partner's ledger which can be difficult to understand if as a company you are gaining an advantage in shared costs or are taking on an unfair burden of the total.

Applying Appropriate Tools for Collaboration. Our interviews showed that individual alliances often operate in silos. The alliance organizations have not built a 'community of interest' that shares or builds upon best practices within the organization. Fundamentals such as common tools and templates are lacking which means that alliance professionals are left to create and maintain their own. Those tools that are in wide use tend to be based on presentations and spreadsheets. Collaboration and community require input from all stakeholders and shuttling files back and forth stifles the vitality of both.

Alliance Business Management Enablers

Despite the challenges of managing an alliance business, many organizations do so effectively and with successful outcomes. What are the keys to managing an alliance business?

Alignment with the Business Mainstream

Companies that partner are more successful than their peers[2] and most successful alliances are aligned with the core business. Alliance best practice research has shown top performing alliances are more consistently aligned to corporate strategy and more collaborative in involving senior leadership, stakeholders, and partners in designing the strategic intent of the partnership[3].

This includes becoming an integral part of the organizations' strategic planning and adopting the discipline of tracking and managing the alliance contribution to the company at top line, bottom line and in creating innovative value.

> **ARTICULATING THE VALUE**
>
> *"Alliance folks do not have a clear script or elevator pitch: Here's why we are doing what we are doing."*

Alliances are increasingly becoming sources of innovation for companies and so becoming more integral to future success. One study cites that 51% of CEO's want innovation and access to new technologies from alliances[4]. This heightened importance of alliances in generating the innovation pipeline demands that businesses evaluate their capacity to do so and the investment model required to produce new streams of revenue just as they evaluate their product portfolios.

Investment in Talent

Alliance professionals come from all walks. It's an interesting question to pose to a large group of alliance managers: How did you come into the profession? Some come from technical backgrounds, others from sales, some product management. Each brings a different perspective and skill set. Running an alliance as a business puts the alliance professional in a general manager role. There needs to be an ability to manage across business units and functional groups and to know the contribution each group adds to the successful operation of the alliance.

When you look at the composite of skills required by an alliance professional[5], it goes beyond the soft skills which by any measure are crucial, but an alliance professional also needs a strong complement of business management skills: strategic thinking, financial and business acumen as well as a sound understanding of industry trends and the competitive landscape.

With talent management coming to the forefront of corporate thinking these days, it would be well if they enabled and developed the full suite of general management skills of the alliance professionals to drive innovation and incremental growth opportunities.

21st Century Tools

Is it time for a new category of automation for the alliance management function? Customer Relationship Management systems (CRM) are now universally adopted by businesses. Most large channel and partner ecosystems are managed through Partner Relationship Management (PRM) systems. Some alliance organizations are leveraging PRMs but in limited ways since the basic premise of PRMs is to optimize management of one to many relationships, which are programmatic in nature: a mile wide and an inch deep. There are over 600,000 people listed in LinkedIn with title Alliance Manager and another 2.5 million listed as Partner Manager and yet there is no category of management platform purpose-built for the job.

[2] *Leading Through Connections: Insights from the Global Chief Executive Officer Study,* IBM 2012

[3] *Alliance Best Practices Research: Revelaing the Leading Practices of High-performing, Go-to-Market Technology Alliances*, Phoenix Consulting Group 2013

[4] *18th Annual Global CEO Survey*, PWC 2015

[5] *The ASAP Handbook of Alliance Management: A Practitioner's Guide*; Association of Strategic Alliance Professionals 2013

Alliance Relationship Management (ARM)

The overarching purpose of an **Alliance Relationship Management** system is to enable fact-based decisions to better manage alliance partnerships. Key business capabilities:

- Forecast and track resource requirements.
- Predict and track profitability of alliance initiatives.
- Provide insight into alliance ROI and breakeven of investment decisions.

What would be some of the attributes and benefits of a purpose-built Alliance Relationship Management platform?

- A secure and accessible forum to share information and to collaborate with internal stakeholders and with all partners in an alliance.
- Functions as the plan of record between the collaborating parties. Current methods of emailing plans and spreadsheets inevitably become nightmares in version control.
- An ability to accommodate different business models since alliance partners generate revenue in different ways. Service oriented businesses will optimize for the service component. Software business will look at unit sales or recurring revenue.
- Integrates and preserves the investment of other enterprise systems, most notably the CRM for deal tracking and sales performance but may include other systems such as the PRM, or Learning Management System (LMS), etc.

Refer to Appendix C for a more feature specific comparison of **ARM**, CRM and PRM.

Conclusions

Alliances, for many organizations, are becoming "the way businesses grow and innovate" and are experiencing a rising profile within the C-suite. Yet, business case development lags behind in what is needed for fact-based decision making and the process is not always well aligned to the core business.

THE 21ST CENTURY VISION

"A single platform… a single portal. We understand that is unrealistic. But anything that could help simplify the overall process and alliance experience is needed."

Alliance professionals struggle without standards to model and manage the alliance investment, track incremental revenue, isolate incremental costs or evaluate the full measure of their contribution.

The tools available to manage the alliance business are antiquated and are not ideal to a collaborative business. While CRM and PRM enterprise systems are available to manage major components of a company's revenue, a purpose built **ARM** (**Alliance Relationship Management)** system is not. Hence a major portion of company revenue, investment and innovation is not optimally managed.

Alliance management requires a demanding skill set. Alliance professionals should position themselves as not merely managing a relationship or even partner sales, but managing a business with the capacity to deliver innovation, new streams of revenue and bottom line impact.

Alliance professionals should take the initiative in managing their alliances like businesses. Seek forgiveness…not permission. There is no fault in acting in the interest of the enterprise.

About the Authors

Keith Gaylord

During his 30 years as an Alliance Executive at IBM, Keith observed first hand what made some alliances succeed and others fail. He concluded that potential or current partnerships require sophisticated tools to quantify alliance best practices. The right analytical tools can be used to strengthen controls, anticipate risks and reveal new growth opportunities in a flexible, but all-inclusive way.

This need led to the development of PARTNER *to* PROFIT (***PtoP***), (www.meetpartnertoprofit.com) a purpose-built, cloud-based digital platform to model, plan, analyze and manage alliances.

In 1993 Keith co-authored for IBM the original *Alliance Management Workbook*. In 2020 he published this companion piece to ***PtoP***, *Alliances, Strategic Partnerships and The Power of Analytics: Gain Control, Reduce Risk, Accelerate Growth*.

Keith is an architect of the Association of Strategic Alliance Professionals' certification program and past chair of ASAP's Professional Development Committee.

Keith holds degrees from the University of Vermont and the University of South Carolina. He holds certificates from The Wharton School and Harvard Law School.

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Appendix A

Participating Companies

Astra Zeneca	Medifast
Dassault	NetApp
Dell	Qlik
EMC	Quintiles
Genesys	Rudnicki Consulting
IBM	SAS
IDC	SUSE
Informatica	VMware
JDA	WiPro
KPMG	Xerox

Appendix B

Business Case vs Business Plan

ATTRIBUTE	BUSINESS CASE	BUSINESS PLAN
Organized around…	Single Action	Organization or whole enterprise
Predicts…	Cash flow results	Organization performance
Focuses on…	Business objectives for the action	Business objectives for the organization
Is based on…	Cost model…benefit rationale… designed for the case	Business model for the organization
Measures…	Financial (ROI, breakeven, etc.) and non-financial (new account, etc.)	Performance terms such as sales, profits, "business health"

Source: Marty Schmidt – ©2004-2015. Solution Matrix Limited

Appendix C

ARM vs CRM vs PRM

A Comparison

FEATURE	ARM	CRM	PRM
Focus	**Alliances**	Customer	Channel
Purpose-Built For:	**Alliance Management**	Sales Management	Channel Management
Financial Workup by Partner	**Yes**	No	No
Top KPIs	**Alliance Metrics**	Customer Sales	Channel Sales
Estimates Alliance and Partner ROI	**Yes**	No	No
Customized Bill of Materials	**Specific**	Generic	Generic
Customized Billing	**Yes**	No	No
Joint Sales Modeling	**Yes**	No	No
Competitive "Win Rate" Evaluation	**Yes**	No	No
Resource Forecasting	**Yes**	No	No
""What-If?" Outcome Modeling	**Yes**	No	No
One Page Dashboard	**Yes**	No	No

Notes

"Keith's book provides an excellent framework for examining the often overlooked area of establishing and measuring quantitative tools to track and manage the true value created by Strategic Alliances. He positions Alliances as 'startup businesses' requiring a specific joint Plan of Record and provides a rich set of examples of how to measure these complex organisms as well as some real life examples of errors he has encountered over his long career. His framework also includes a broad range of specific checklists, templates, and dashboards as components of what he describes as an Alliance Relationship Management System (ARM) and highlights some key differences between the ARM and existing Partner Relationship Management (PRM) and Customer Relationship Management (CRM) tools. Keith's style is easy to read and guaranteed to give you some tangible tools for you and your alliances organization."

Steve Steinhilber, Global Vice President Ecosystem Development, Equinix

"Over the years, I have often relied on Keith's insight and expertise in the art and science of alliance management and I am delighted he has taken on the next journey of bringing a more analytical perspective to alliance management. I highly recommend this book to anyone wanting to tap into Keith's wealth of experience of how to collaborate effectively and how to apply analytics to beat the odds on managing successful alliances."

Norma Watenpaugh, CEO, Phoenix Consulting Group, LLC, Former Best Practices Chair, The Association of Strategic Alliance Professionals

"In this book Keith Gaylord builds on his extensive experience with alliances. Even better: he pushes the boundaries of alliance management. His argument to build alliances as a business and use logic, facts and data to create them, is original. However, few companies are able to do so. Keith solves this issue and presents a well-thought-out framework and practical tools that enable managers to analyze alliance opportunities in a data-driven way. In doing so, this book will help companies increase their alliance success rate markedly and avoid collaborative disasters. Anecdotes, examples, checklists and provocative questions make this book a great read!"

Ard-Pieter de Man, Professor of Management Studies, School of Business and Economics, Vrije Universiteit Amsterdam, Board Room Consultant

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