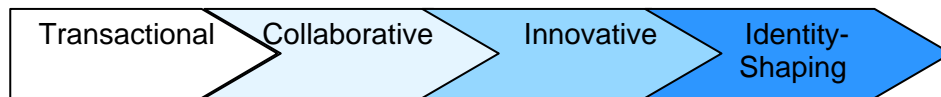


Alliance by Design

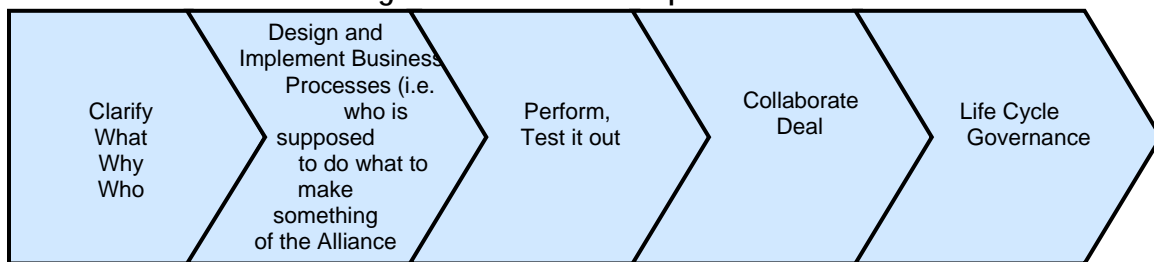
Background

The charts below show a continuum of partnering arrangements and helps guide the thinking about how partners work together.

Continuum of Alliance Relationships



Stages of Alliance Development



Objectives

Maximum return on minimum investment
Better use of what is already invested

With every partnership, it is important to know:

- Where we are, and where we want to be, in the alliance continuum shown in the top diagram in the figure ("transactive" collaborative, innovative, or identity-shaping),
- Why we want to be there; i.e., what good happens if the alliance goes well and what bad happens if it does not, and
- Who in each organization is chartered to make the alliance work and who will also significantly advance their career by so doing?

Every partnership is different and each time we work on something together is also often different. Therefore, with each partner and on every joint opportunity, we need to address all of three these important points until repeatable patterns emerge.

In some cases, we will bring our partner specialized expertise that they don't have, such as knowledge about a customer or certain technology. In other cases, the partner brings a skill we don't have but that works well with what we do have and that is important to meet client commitments.

A good example is a Deep Packet Inspection hardware provider and a software application developer who partner to develop a utility made up of both esoteric hardware and software that inspects network traffic for identified vulnerabilities and applies business rules to govern whether the traffic is blocked, re-routed, allowed to pass, or modified and allowed to pass. Neither the DPI box maker nor the application developer has all that is needed to address the business problem but together they can fully serve client needs. If the stakes are high enough, it behooves both firms to understand what they and what the other firm each seek to accomplish in order to work out a mutually satisfactory and rewarding partnership.

Most alliances severely under-perform relative to expectations at the time of their inception. No matter how great they look on paper, it is always a lot harder to make things come out anywhere near where they were meant to be. Fortunately, based on first-hand practical experience and learning from experience of others, there are some things that can be done to raise the odds of success.

The reason for one organization to acquire or ally with another almost always boils down to one of the following three:

- To obtain new products and services to sell to existing customers.
- To secure access to new customers or markets for existing offerings.
- To acquire needed resources such as skills, leadership or knowledge.

Alliances require alarmingly high concentrations of management attention to consider, plan, execute, launch, and nurture to their envisioned potential. Once a partnership is struck, even greater amounts of time from the most senior managers is required to plan and guide the integration of people, products, services and administrative processes which diverts management attention from other important matters.

There are also three core reasons for one organization to decide NOT to ally with another:

- Most partnerships involve financial terms where each party seeks a premium relative to the other, except in distressed situations in which case bargain terms are offset by high risk. The resulting dynamic is hardly conducive to founding a thriving long-term relationship
- Conceiving, designing, architecting, developing, implementing, testing, and maintain the business processes and systems required for the partnership to thrive is time-consuming and difficult. Furthermore, the time and effort required to overcome cultural differences is enormous and rarely successful. Despite management's best intent, the wisdom of working together on the front-line is lost, without a lot of attention from the top, in favor of protecting turf, in-fighting, and

favoritism.

- Alliances and partnerships require alarmingly high concentrations of management attention to consider, plan, execute, launch, and nurture to success. Once the deal is done, even greater amounts of time from the most senior managers is required to plan and guide the integration of people, products, services, and administrative processes which diverts management attention from other important matters.

Best Practice

There are three steps that dramatically increase the odds of a successful alliance:

- Determine whether the nature of the relationship between the two organizations is to be transactional, collaborative, innovative, or identity-shaping where who they are is literally defined by their relationship to each other.
- Develop a picture of the way things will work when operations come together as envisioned, including:
 - A financial plan that lays out the target economics which justifies the terms and to serve as the foundation for performance goals,
 - An operating model to show who will do what to deliver the joint entity's products and services with excellence, on time, and in budget; systematically and programmatically sell the venture's products and services; and develop its capacity to fuel growth, and
 - An organization model to show who is responsible for what initially and over time.
- Assign representatives from both organizations to work together to identify issues, perform analysis and recommend actions consistent with the goals of the partnership. Success or failure to achieve targeted results must be a primary component to these individuals' personal performance and bonus compensation for the performance period.

Success Factors

Experience shows that there are three important things that dramatically improve the probability that two organizations will be successful as partners in an alliance:

- It must be clear to each organization why they have decided to work together. The rationale must be written down and shared with others in both organizations each from their own perspective and from the perspective of the other. For example, people in Organization A must be able to say why it makes sense for Organization B to have entered into the relationship as well as why it makes sense for their own organization to have done the same.
- There must be a lot at stake for both parties. This means there must be a lot to win if the goals are met and a lot to lose if they are not.

- Each organization must assign a senior person to represent the interests of their respective organization. This individual is a leader who personally stands to win or lose a great deal both from a financial, career and professional perspective depending on the fate of the venture. Their number-one goal has to be the success of the initiative. They serve as gateways to their respective organizations to facilitate the success for their counterpart who would otherwise be in a hopeless position of having to figure out for themselves how to work effectively in an alien organization. Therefore those assigned to this key role have to be senior, seasoned, well-regarded executives who can move mountains in their own organizations, if necessary, to make things work.