



Conference KeyNotes

KEY ISSUES | BENCHMARKS | ACTION PLANS



The 2009 Strategic Alliances Conference: Leveraging Alliances and Building Profitable Partnerships

As a community of business leaders, The Conference Board convenes senior executives to share cutting-edge ideas and best practices. These *Conference KeyNotes* summarize the discussions held by approximately 60 senior executives that attended *The 2009 Strategic Alliances Conference* in New York in September 2009. The views expressed are those of the presenters and participants of the conference.

Key Issues Page 2

- Forming the relationship is key
- Measure the health of a relationship regularly to keep it running smoothly
- The best innovation comes from joint exploration and problem solving
- Best practices: fundamentals for any successful partnership

Benchmarks Page 6

- Nearly a third of companies have more than 20 alliances
- Entering new markets most popular reason for entering alliances
- Few companies terminated or restructured alliances due to economic downturn
- Overall alliance activity increased somewhat for most companies

Action Plans Page 7

What Conference Participants Plan To Do Differently

- Strategy
- Metrics
- Communication, transparency, and knowledge management between parties



KEY ISSUES

All successful alliances require trust, open communication, and an understanding of each other's needs. All parties involved need to know what they want out of the relationship, have compatible goals, establish metrics based on those objectives, regularly review those metrics across the portfolio, and not be afraid to recalibrate aspects of their relationship based on changing business and environmental needs. Conference attendees and presenters discussed related topics, including starting off on the right foot, ironing out differences, measuring the health of a relationship, getting the most out of innovation, and best practices when forming and sustaining alliances.

Forming the Relationship Is Key

When entering into an alliance, most companies just “get to work” instead of taking time to determine the rules of engagement up front. However, the key to a good relationship is spending time in the beginning of the process to make sure all parties involved understand each other and are on the same page.

- Fewer than one quarter of companies have strong formal joint business plans at the start of an alliance. Both partners need to speak the same language, work from the same strategy, use the same metrics and measurement methods, and have clear reporting/accountability structures, formal IP-sharing policies, similar priorities, and compatible objectives.
- Don't build a business plan based only on “good times” – build in a plan for rougher times, such as budget cuts, layoffs, economic downturns, and disaster recovery. Consider how each partner would be affected. View the relationship as a long-term venture instead of a project-by-project one.

Trust, transparency, and tough conversations

- Trust is critical in an alliance but it means different things to different people. Companies can't just have the “feel good” conversations when joining forces. They also need to ask each other the tough questions, such as: How likely is the other party to share information with a competitor? What would be the worst consequence or upside of this? How can we avoid or mitigate this? Who owns which IP? Which IP is okay to share?
- Most partnerships fail because of a lack of transparency on both sides, differing priorities, an inability to manage differences and changes in strategy, and poor business strategy. Each side reacts off the other, which leads to misunderstandings, which, in turn, leads to a lack of trust. The only way to prevent this vicious loop is to talk about these issues from the get-go, no matter how painful it may be.
- Keep everyone informed. Companies have a good alliance when they have constant contact between all parties involved; not just executives. Sales, marketing, and technical teams from all participating companies need to communicate with each other. And a point person needs to ensure that all parties see things the same way. Spend equal amounts of time building relationships internally and externally.
- When big companies partner with small ones, the big company should inform the small one of what's involved when working with a large organization. Larger companies often take longer to make decisions, which can frustrate a small company. But the big company can help mitigate this by continually updating the small company so that it knows it hasn't been forgotten during a slow decision process.

Ironing out differences

- Companies often partner so they can take advantage of their differences, but four to five months into the process, the people involved often become frustrated and say “Why can’t they do what we do?” Companies think that in order to be a good partner, company A needs to act like company B, and the other way around, when in reality, they just need to understand each other’s differences.
- Companies can follow these four steps for ironing out differences:
 1. spend time with all partners early on to identify and acknowledge specific differences;
 2. distinguish between helpful differences (competencies, R&D) and unhelpful ones (incentives, metrics, approaches to decision making);
 3. understand what drives those differences (different operating systems, values, promotion systems, communications, etc.); and
 4. set the expectation that differences will need to be managed on an ongoing basis. Twelve to 18 months into the process, there will likely be tension caused by market changes or shifting priorities – friction between partners is not a sign of failure; it’s a sign of necessary maintenance, review, and adjustment, just like a car requires regular maintenance.
- Often, corporate differences are harder to overcome than country or social differences.

Breaking up isn’t always hard to do

- Terminating an alliance takes as much planning as starting one. Most companies don’t think about the formal process for restructuring or unwinding the agreement when they enter into a partnership, but the best endings come from strong beginnings. The concluding process needs to be planned from the get-go, even though it seems counterintuitive. To have a functional breakup, partners need to discuss issues such as who owns which intellectual property and who will fund wind-down costs.
- Unwinding may also be a sign of success. Not all alliances are meant forever. So discussing the separation process ahead of time can de-stigmatize it, and it will make it easy to work together again.
- When the partnership ends, both companies should celebrate successes, capture lessons learned, and think about opportunities to join forces in the future.

Measure the Health of a Relationship Regularly to Keep It Running Smoothly

Measuring the health of an alliance and the level of commitment from all parties is essential to a successful relationship. Early in the process companies should check to see whether everyone is on the path originally set forth. This is often not done. It prevents potential strife later in the process. And companies need to measure the partnership, not each other.

- Measurements are very subjective. Most companies use a variety of measurement methods, including CRM systems, scorecards, surveys, and follow-up interviews, depending on what they’re trying to find out. Metrics dashboards need to remain simple. If there are too many metrics – 50 metrics is too many – it becomes hard to make sense of them.
- The data should be used as a tool to stimulate conversation, which is much more important than the data itself. Common questions both sides should ask include: What assumptions did we have around the deal, and did they change? Are there other opportunities we need to pursue? What other ways can we work together? Can we leverage what we have in new and different ways? How can we modify our relationship to achieve more? Have we generated all possible value from this relationship?
- Data can also help companies determine whether someone needs to intervene, when the best time to intervene would be, and whether the intervention should be strategic (leadership) or operational (day-to-day processes, communication methods).

- Measuring the health of a bilateral partnership is much easier than measuring the health of a multilateral alliance. The best way to ensure the health of a multilateral alliance is for all parties involved to have conversations up front to determine concrete behaviors that will be expected from all parties.
- Companies should also have an internal scorecard to keep tabs on how the alliance impacts different divisions. Even internally, there can be different views of alliances, success, and metrics.

The Best Innovation Comes from Joint Exploration and Problem Solving

Many partnerships are formed so companies can be more innovative. They realize innovation doesn't happen in a vacuum; instead, feeding off each other's needs and ideas is what leads to creating ground-breaking goods and services, much in the same way that organisms form symbiotic relationships to survive.

- No one organization can single handedly drive all the innovation needed to serve its customers. That's why companies leverage the "ecosystem" of partners to reach new buying markets, break into new emerging markets, or help each other solve a problem. For example, a technology company and major cable television network joined forces and were able to address the technology company's concern that the millennial generation doesn't print enough – the technology company got involved in Fantasy Football once it discovered millennials often print materials to participate.
- To enable innovation, partners cannot just "bring in" ideas and opportunities without having a process to evaluate them from across functions. They need to determine whether the idea or opportunity is worth further investment, based on technical feasibility, marketing opportunities, and risk. Then they have to make a concrete "go" or "no go" decision.
- Both sides need complete transparency. A lack of information sharing and identification of opportunities can limit innovation.

Best Practices: Fundamentals for any Successful Partnership

Alliances need to be run like a business. Each one should be viewed as a mini enterprise with its own life cycle.

- Begin each alliance by organizing for success. This includes creating a strong governance program for both the internal and external parties. Ensure all participants work from the same strategy; everyone needs to be aligned on oversight, monitoring, and leadership.
- Assign a partner general manager to oversee the portfolio of relationships. This person should be a senior leader who is accountable for the entire relationship, and who gets involved in the technical discussions and business aspects. This position requires proficiency in the following skills: strategy, product management, business development, sales, and personal skills.
- Get buy-in from top executives. Then educate everyone about why the relationship is important and obtain buy-in from the rest of the organization.
- Have the discipline to focus on what matters most. You don't need to prune your portfolio of alliances, you just need to prioritize it. For example, in tough economic times focus primarily on those vital few that provide a revenue impact; put the ones that only have an operational impact on the back burner.
- Create an "IP-safe" environment for partners to share knowledge. Each party needs clear expectations with defined start and end points for what information can be distributed internally and across the partnership, and what remains protected proprietary information. This is usually determined by a contractual agreement, on case-by-case basis.

Roundtable Discussion: Developing an Alliance Capability

Conference attendees broke into small groups to discuss how they leverage internal support, do more with less, and mitigate risk in alliances. Below are the group takeaways.

Leveraging internal support

- Obtain buy-in from the top down. It is easier to rally the troops when the executives are on board.
- Let the C-level publish data. Having top executives champion the data helps convince others that the alliance will benefit the company. Clearly define roles and responsibilities. Show that executives are aligned on both sides.
- Indicate that you have developed an up-front strategy that includes clear definitions of all categories.
- Get together for several days to discuss risks and plan. Then present the conclusions to the partner.
- Make sure you have a solid value proposition, ROI is outlined up front, and all metrics are well-defined.
- Launch an internal brand initiative.
- Demonstrate and communicate early success to managers and partners. Continue communicating success throughout the process.
- Turn legacy suppliers into partners, and explain why they have been elevated from “just suppliers.”
- Explain what the incentives will be. For example, will they be paying to be a partner?

Mitigating risk/risk management

- Standardize processes that can be leveraged across shared resources.
- Standardize governance processes.
- Over communicate to the top, bottom, and middle levels with plenty of transparency. You may think you're communicating enough, but you're probably not.

Doing more with less

- Build in efficiency by having alignment from the top-down. It does not work if you try to do it from the ground-up.
- Implement process improvements.
- Get broader thinking/creativity within the organization.
- Communicate more about how the alliance will benefit employees.
- Have the ability to say “no,” and focus only on your top priorities. Determine which is a higher priority – new partnerships or existing ones?

BENCHMARKS

Conference participants were polled on the following questions:

Chart 1
How many alliances are in your alliance portfolio?

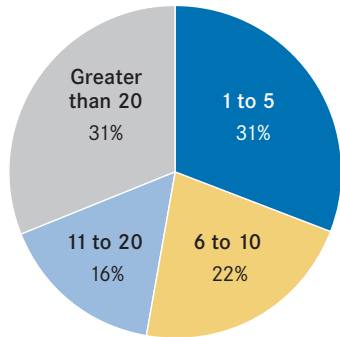


Chart 2
What are your company's top objectives for entering alliances?

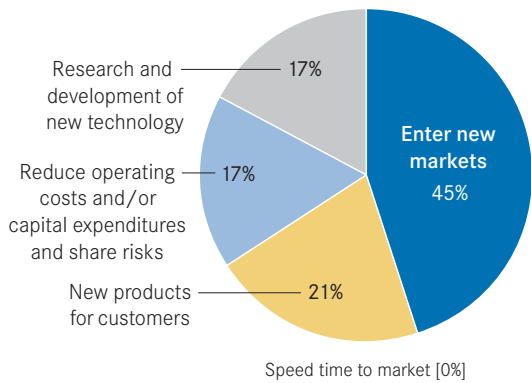


Chart 3
During the past year, in response to the economic downturn, our company has:

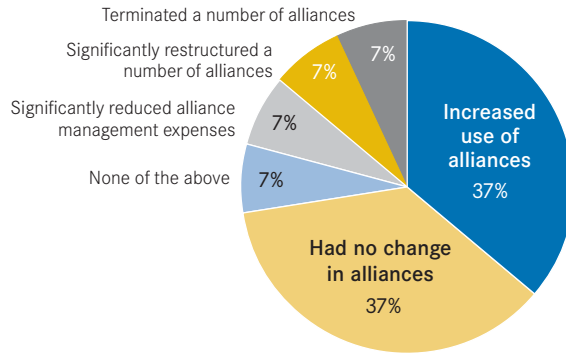
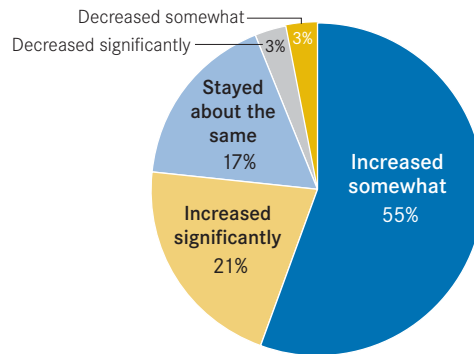


Chart 4
During the past year, overall alliance activity at our company has:



What is your company's size?

Annual revenue

Less than \$1 billion	23%
\$1 billion to \$499,999 billion	17
\$5 billion to \$99,999 billion	13
\$10 billion to \$24,999 billion	17
\$25 billion to \$999,999 billion	10
\$100 billion to \$150 billion	7
Greater than \$150 billion	13

Note: Due to rounding, some percentages may add up to more or less than 100.

ACTION PLANS

What actions will participants take after the conference? A post-conference “action survey” highlights a range of objectives.

Strategy

- Review full portfolio, terminate zombies, refresh status quota.
- Do a prioritization ranking of existing alliances using tier structure presented by one of the speakers.
- Suggest establishment of a renew committee for all alliances and diagnostics for re-launch of troubled alliance. Re-launch one of our alliance partnerships - do it the right way this time.
- Publish formal document for developing and launching new alliances.
- Establish strong pre-alliance review. Review our work to date on a potential alliance we are considering, especially around the success metrics and the risk aspect.
- Create more formal governance and “alliance strategy” discussion for launching an alliance. Implement the Illustrative Alliance Vision Template for new alliances to establish joint objectives and metrics, as well as develop a roadmap for each strategic partner to ensure alignment and common measurement.
- Track/update key differences and discuss annually.
- Establish a dedicated position as Partner General Manager for key partnerships, with significant responsibility for bringing a POV and influencing director of partnership, as well as accountability for partnership performance (mid 2010 implementation).
- Work with legal to modify IP language to allow innovation and challenge the organization to consider how we can leverage alliances/strategic partnerships to source more innovation.
- Remember to “celebrate successes” and “capture learnings.” Assess whether all of the people networks & councils don’t just “do diversity” but are aligned with corporate goals and direction.

Metrics

- Design a survey and check the health of existing alliances. Formalize base on maturity, scope, scale, and measuring success.
- Design/revamp health check for multi-lateral measures – we currently have individual.
- Review current metrics for refresh/improvement.
- Conduct a survey on the levels of trust and understanding of each company’s capabilities.
- Review strategic dashboard based on four pillars (strategy, financial, health check, ROI).
- Add dashboards to our partner operating plans.
- Pay careful attention to “definitions” and how they are perceived internationally.

ACTION PLANS (continued)

Communication, Transparency, and Knowledge Management between Parties

- Increase the level of transparency and communication with alliance partners. Truly understand our company's and our partners' objectives.
- Strengthen alliance processes and accountabilities including internal/external understanding of goals.
- Implement a process whereby we present partners with context of what a partnership means to us and what it is like to work with us. Provide specific feedback and reporting on alliance metrics.
- Develop an internal communication tool and strategy.
- Develop a POV to take to major stakeholders (procurement, sales, marketing).
- Pursue greater understanding and support from business-line management of alliance concepts.
- Develop an awareness campaign internally around the importance of strategic value of our alliances.
- Think more formally about our knowledge management principles with our partners.
- Develop a supplier form to share ideas, innovate, and show a strategic roadmap.



For more information

Tina Nahmias

Associate Director
Conference Logistics & Operations
212 339 0264
tina.nahmias@conference-board.org

The Conference Board, Inc.

845 Third Avenue
New York, NY 10022-6600
United States
Tel +1 212 759 0900
Fax +1 212 980 7014
www.conference-board.org

The Conference Board China

Beijing Representative Office
7-2-72 Qijiayuan,
9 Jianwai Street
Beijing 100600 P.R. China
Tel +86 10 8532 4688
Fax +86 10 8532 5332
www.conference-board.cn (Chinese)
www.conference-board.org (English)

The Conference Board Europe

Chaussée de La Hulpe
130, box 11
B-1000 Brussels Belgium
Tel +32 2 675 5405
Fax +32 2 675 0395
www.conference-board.org/europe.htm

The Conference Board Asia-Pacific

22/F, Shun Ho Tower
24-30 Ice House Street, Central
Hong Kong, SAR
Tel +852 2804 1000
Fax +852 2869 1403
www.conference-board.org/ap.htm

The Conference Board of Canada

255 Smyth Road
Ottawa, Ontario K1H 8M7
Canada
Tel +1 613 526 3280
Fax +1 613 526 4857
www.conferenceboard.ca

Conference Board India

6F Vaswani Mansions
120 Dinshaw Vacha Road
Churchgate, Mumbai 400 020
India
Tel +91 9987548045
Tel +91 9820300749
Fax +91 2267464001

Other Strategic Alliance Resources from The Conference Board

Research Reports and Executive Actions

Offshoring Reaches the C-Suite, Report
Number: R-1445-09-RR, June 2009

Assessing Offshoring Risk, Report Number:
R-1431-08-RR, January 2008

*Strategic M&A: Creating Tools and Capabilities
for Successful Integration*, Report Number:
R-1401-07-RR, May 2007

*Harnessing the Perfect Storm: Business
Executives in Mid-Size Companies Are
Seizing Green Opportunities*, Executive Action
A-0273-08-EA, May 2008

The Conference Board Council Program

For 80 years, The Conference Board has organized small, intimate, cross-industry networking peer groups that bring together executives in a specific function to share information, and best practices. These highly interactive members-only networks facilitate ongoing interaction, communication and benchmarking among leaders from the world's top companies. Each group is a unique member-driven forum enhanced by the vast resources of The Conference Board, including our research, economics, conferences, working groups, web casts, and special events. Periodic face-to-face meetings help foster the strong personal relationships that make council participation such a powerful ongoing resource for today's busy executives who need a source of immediate trusted feedback.

For more information on
The Conference Board Council Program, visit
www.conference-board.org/councils

Copyright © 2009 by The Conference Board, Inc.
All rights reserved.

The Conference Board® and the torch logo are
registered trademarks of The Conference Board, Inc.

The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: to provide the world's leading organizations with the practical knowledge they need to improve their performance *and* better serve society. The Conference Board is a non-advocacy, not-for-profit entity, holding 501 (c) (3) tax-exempt status in the United States.