SUPPLIER SAVVY

Partnership Dos and Don’ts

By Dave Egan

Like couples who focus more on the wedding than the marriage, business partners often come together ceremoniously and then watch the relationship fizzle. When that’s the case, the partnership doesn’t satisfy customers, hurts everyone involved, and diverts resources from important activities. To be successful, a partnership must please customers, broaden market reach, contribute something valuable to the marketplace, and enrich both sides. But when companies focus too much on how the partnership affects the partners rather than the customer, no one wins.

The good news: Partners can live happily ever after. Allow me to play marriage counselor and propose some dos and don’ts to improve the chances that you and your supplier partner will deliver tangible business benefits to your joint customers. First comes the courtship. Examine the market for your partnership, and get to know the partner you’re courting. Next comes the engagement, followed by managing the relationship and producing happy customers.

The courtship

Assess the demand. Courtship is the most complex part. Companies that are considering a partnership with a training provider must first ask whether customers really care about the combined product or service that the partners propose to offer. The best partnerships arise directly out of insistent customer demand. At our company, we answer partnership inquiries with the simple, consistent response that our partnership choices are driven entirely by client demand. Without concrete demand, partnerships typically fade away after (or before) the first interaction because, by definition, no one values the joint solution.

Identify your value proposition. If the demand exists, take the next step. Sharpen the focus on your combined value proposition, and write it down. Sometimes, a prospective partnership feels and sounds good hypothetically, but doesn't look as promising on paper. It's important to make sure a value proposition actually exists. Who is the typical customer demanding the joint product or solution? How many other customers need it? Will they pay for it? Are the financial rewards and arrangements such that the deal will enrich both partners? As when two people come together for marriage, the whole partnership should be greater than the sum of its parts.

Consider cultural issues. Make sure there's a fit. It's critical for prospective partners to think alike—as partners not competitors. Even though partners may compete on some levels, they need to commit fully to working as a team on joint customer offerings and installations. In terms of client access and control, true partners must avoid knife fights in the parking lot at all costs and should never one-up or undermine a partner in front of clients. In the vernacular of a card game, partners should play bridge with each other, not poker.

Fitting culturally also means that companies must see eye-to-eye not only at the highest executive level, but also in the field among both salesforces. If executives share a vision but can't communicate that to their salesforces and implementation teams, no one will "get it" and the vision will die. Also consider style. Does your prospective partner move too fast or too slow for your liking? Does your partner have an interest in and the ability to work with other current and prospective partners? Is your partner easy to work with?

Partners in the learning industry, whatever their cultural particulars, need to enter every interaction determined to improve their customers' business performance. That means partners must understand that their individual contribution, while important, is subordinate to the overall aggregate value to the customer. A good test to predict compatibility of a partnership is to get salespersons from both sides to share information about customers and see whether the information matches.

Do a reality check. Make sure the company you're partnering with has customers—real, satisfied customers—who are in production, derive real business benefits, and are willing to talk about it, not just customers signed and announced. Examine financials to ensure that the company is viable.

Make sure your partner doesn't compete with your core proposition. If you're in the same industry, you'll likely have some conflicts of interest. That's OK, but stay away from partners whose products compete directly with your core offering.

For instance, THINQ is an LMS (learning management system) company and faced competitive questions when we partnered with OutStart, an LCMS (learning content management system) company. Both products manage and deliver training content, so in the broadest sense we can be seen as competitors. But, in fact, each company has areas of expertise that complement the offerings of the other. THINQ customers need collaborative authoring and learning-object delivery. OutStart customers need robust learning management functionality with the ability to mine deep knowledge of learners and the learning process to drive its customized delivery. Together, we offer a complete solution that offers customers the best of what both companies can provide.

Investigate your partner's origins. Why is it in business? What attracted customers to this company? Understand the management team. Find out what the prospective partner was doing two, five, even 10 years ago. What can you count on them to be good at today? Will they be around tomorrow? Next year?

Evaluate market focus. The company you're partnering with should either share your market focus or put you in a market you want to be in. If it's deep into the health-care industry, is that a direction you want to go in? If you're not in insurance but want to be, a partnership with a company working with that industry may be the best way to achieve your goal.

The betrothal

Set the rules. As you get engaged, write the prenuptial, if you will. You want your partner to drive business to you, but how? Do you want referrals, or do you want your partner to drive the whole sales, service, and support cycle? If so, can it?

Lay out the rules for compensation before forming the partnership—who's going to be paid how much, when, and by whom. Partners often get caught up in arguments about customer ownership and who started—and now owns—the transaction. So, set specific rules of customer engagement and the steps for completing a sale.

Think about underlying technology. When two technology partners join forces, the partners must ensure that the technology will work together. Make sure both scale and are compliant with similar standards. Make sure they have full-fault tolerance and other standard features that characterize a truly scalable enterprise application. Make sure the product has enough architectural similarities with your solutions to make integration feasible. And ensure that both technologies can adapt in complementary fashion to future industry directions.

Test it. If you're confident there's a technical fit, test the plumbing before sending the water through. Partnering companies should shore up the foundation technical work to ensure that their products really can work together. The alternative is selling customers on projects you can't execute.

Partner because collaboration makes sound business sense; don't partner as a means to merge. Mergers and acquisitions, of course, are more complex than partnerships, and it's hard to engineer one with a stranger. Like marriages, mergers and acquisitions are more often the serendipitous result of a good partnership.

And don't expect much from marching band partnerships that are primarily for show. Many large companies love to launch high-profile partnership programs to show off the broad base of so-called support and capabilities for their technology and strategy. Rarely do such campaigns do much for the smaller partners, who often find themselves lumped together with competitors in service of the 800-pound gorilla.

Last, never partner with a company with a bad reputation; it will rub off on you. If the company has a clean reputation, how visible is it? How much muscle does it have in the market? If you're world-class, is your partner?

Another example: We've had the good fortune to strike a terrific partnership with a division of Lockheed Martin. It's a perfect type of partnership in that it grew out of a great customer relationship. Lockheed Martin is our customer, and as a partner will draw on its experience with us as it resells and integrates our products.

The honeymoon

A partnership is hard work. Once you've formed a good one, do what it takes to keep it afloat. First, don't rush the press release. Too many partnerships are mainly for outside consumption, and the PR trick is getting old. The partnership announcement should be the icing on the cake, not the appetizer. The ideal, most powerful press announcement centers on a joint customer success story. Companies lose credibility when they trumpet shell partnerships. It's nice to say you have a new partner, but it's better when a new customer validates the relationship.

Early on, make sure a key partner gets enough training to succeed. Too many partnerships form around a joint customer only to reveal the partners' lack of preparation or intractability of a product-integration problem. Partners need to invest in the partnership the necessary time and resources and get cross-trained quickly. If you're signing on an integration partner, try the shadowing education model: First, perform a deployment while your partner watches. Second, have your partner do a deployment of your technology while you watch. Then let them go solo.

As part of your training, communicate the rules of engagement to your salesforce. Make sure both sales teams know exactly how to engage a partner for joint solutions and track compensation after the sale is made.

Open marriage

OK, a partnership isn't *exactly* like a marriage in that multiple partners are a good thing. Only rarely will you find a compelling reason to be exclusive. Multiple partners offer your customers more choice and open your door to more opportunities. Exclusive partnerships lock your customers into only one alternative and may lock you out of deals.

In general, less complex technology makes it a bit easier to have more partners. But if you're combining two fairly complex technologies or business models into a partnership (such as the LMS and LCMS example), it's oftentimes a better idea to limit yourself to one or two partners. It takes a lot of time, money, and people to get two teams working to integrate products and offerings in sufficient depth to create significant payoff for the customer.

If you're planning a less complicated combination—such as bringing an LMS together with content—the integration will take less work. So, you can generally afford to offer customers a bigger stable of partners. There is, of course, a point of diminishing returns when partners become redundant and dilute your focus. Aggregation for its own sake has fallen out of vogue for good reason. Sometimes, more choices is nothing more than more choices. In the right cases, hundreds–or dozens–of options are enough; thousands are no better.

When selecting partners, adopt a best of breed philosophy. At THINQ, we've selected a preferred group of partners to help serve our customers. We looked carefully at many alternative partners, then made some deliberate, complementary choices based on our own best analyses and guidance from customers. They now benefit from proven solutions or services, and from guaranteed integrations and product compatibility.

By all means, give your customers what they want. But whenever you can, make sure that your partner choices work across most, if not all, of your customer engagements. If a customer presses you toward a specific partner, work with the client and partner to develop a business case for broader use of that partnership across your larger base of customers.

Working at it

No matter how good the fit, partnerships don't run themselves. Schedule regular meetings and training sessions whether it's obvious they're needed. Communicate everything to everyone on each team. Renew your vows, and remember why you came together.

Make sure you're making sense to your customers. Keep it simple: Customers need to feel sure that partners are working *with* you but *for* them. Customers want a single point of contact. In other words, you're accountable.

Partnering is one way to provide something to customers that you don't offer but would like to. Building the offering is another way, but it may keep your team from focusing on the core competency of your business. And, yes, buying it is another way. Your approach should depend on defined customer needs, your own business model, and your company's resources. Investigate all of your options before making the build-buy-partner decision.

Smart companies are sharpening their focus on their own core competencies and partnering for the rest of the value proposition. Companies that do too much on their own risk moving away from their core areas of business and making themselves vulnerable to competitors. Moreover, companies without partners must fight their market battles alone.

Ultimately, making these decisions is like getting married: Having cold feet is common, you never know until you try, and more often than not the results can be wonderful.

Dave Egan *is vice president of business development and partner strategies for THINQ Learning Solutions, which helps organizations meet key business objectives with enterprise-wide learning solutions, including the THINQ TrainingServer® Learning Management System; dave.egan@thinq.com.*

Next month, AchieveGlobal's chief marketing officer Craig Taylor will discuss the strategic side.