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www.partnering4business.com *or* **www.linkedin.com/in/ulricbrandt**

Ulric Brandt

Published Sept. 3 2016

Partnering is built on trust

This is the first article about *business partnering*, where two, or a few, companies work closely together to achieve something they cannot do on their own. This type of Partnering is also called strategic alliance or strategic partnering.

Partnering is like a marriage. It is entirely built on trust, trust and trust. When trust is gone, the partnership breaks.

Both parties, as in a marriage, will try to achieve something significantly better than what they can do on their own. The life length of a partnership is however shorter than a normal marriage – around 2-6 years.

A more precise definition of partnering is:
"An alliance is a voluntary, long-term, contractual relationship between two or more autonomous and independent organizations (i.e. firms), designed to achieve mutual and individual objectives by sharing and/or creating resources" (Ariño *et al.* 2001).

Is Partnering the right way to go? Both yes and no! More than half of all partnerships fail. The main reason is that they should never have been started in the first place - the culture barriers are too large or none of the parties has skills enough to make the partnership a success.

Do you want to know more about partnering – visit www.partnering4business.com

Ulric Brandt

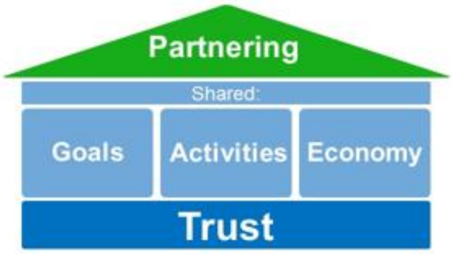
Published Sept. 11 2016

Partnering fundamentals

This is article no 2 about *business partnering*, i.e. where two, or a few, companies work closely together to achieve something they cannot do on their own.

The main reason for Partnering is that both parties want to achieve something significantly better than what they can do on their own. It could be new products, solutions or services but also new technology and innovation.

Partnering is entirely built on trust, trust and trust. When trust is gone, the partnership breaks.



But what else, in addition to trust, is needed?

Firstly, you need commonly agreed Goals. These goals are of course within the Partnering Area – the well-defined *game plan* for the Partnership.

Secondly, you need Activities that are both common but also specific for each partner. These activities should be focused on achieving the common Goals.

Last, but not least, you need a *shared economy* within the Partnering Area. A shared economy can e.g. include an open-books economy, shared IPRs (often patents), projects and labs.

Is Partnering the right way to go? Well, more than half of all partnerships fail. The main reason is that they should never have been started in the first place - the culture barriers are too high or none of the parties has skills enough to make the partnership a success.
Culture is hard to overcome. However professional skills, tool and methods for successful Partnering can be built up.

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Ulric Brandt

Published Sept. 19 2016

Partnering or acquisition?

This is article no 3 about industrial partnering (also called business partnering)

The main reason for partnering is that both parties want to achieve something significantly better than what they can do on their own. It could be new products, solutions or services, new technology or innovation or it could be reaching a new market. However an alternative to partnering could be an acquisition to achieve the above. So, how do you choose the right way to go?

Partnering is entirely built on trust. Generally, an acquisition also requires mutual trust between the companies. If trust is lacking, partnering certainly fails and acquisitions run a serious risk of being unsuccessful.

Both partnering and acquisitions have a low success rate – more than 50% fail. For the partnering/acquisition be successful, all parties involved need to be well prepared, with skills and a methodology.

Partnering is sometimes used as a *try and buy* situation, limiting the risks of a future costly acquisition as the Partners first try to work closely together. However, in both partnering and acquisitions, long-term thinking is vital since a 1+1>2 result is expected. None of the alternatives is a good solution for a quick fix, a short-term product gap filler.

Whether you go for partnering or acquisition, very strong management engagement is needed on several levels. This includes a robust Governance Model and a well-defined objective, thoroughly communicated to both parties. Alignment, strong focus on the objective(s) and close cooperation on all levels are key for success.

A strong risk element in both partnering and acquisition is the culture barrier. Doz and Hamel claims the following in their book Alliance Advantage: "*In general, too many managers treat Partnerships as acquisitions, and too few acquisitions as Partnerships*"

So, what are the main differences between partnering and acquisitions?

The most obvious is that most aspects related to the legal and financial part of an acquisition will not apply in partnering (JVs is another story). An exit of a Partnering should be planned for already before starting. This is not the case for an acquisition. Another major difference between partnering and acquisitions is that, in an acquisition, the acquiring party can use stronger power (with the risk of destroying the trust) – and may still be successful. This would never work in partnering, where the foundation is just trust!

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Ulric Brandt

Published Sept. 29 2016

Strategic alliances; why do they have a high failure rate?

This is article no 4 about partnering (also called strategic alliances or business partnering).

The main reason for partnering is that both parties want to achieve something significantly better than what they can do on their own.

Despite good reasons for partnering, they often fail. Research shows that the failure rate is between 50 and 70%*. Particularly partnering in high tech has a high failure rate. In low tech, chances are significantly better.

The short answer why partnering/strategic alliances fail is that most of them should never have been started, since there is no basic compatibility between the partners.

A longer answer as to why the failure rate is high:

- *Lack of skills* in partnering causes a lot of problems. Few companies have an alliances manager with skills enough to secure success. This means that important aspects are not sorted out and communicated from the beginning, including the purpose and goals of the partnership, the partnering area (playground) and roles. A solid platform of trust is not built and activities supporting the goals not commonly agreed.
- *Lack of methods and tools*. Even if there are basic skills in place there is no easy-to-use method for partnering. This includes a comprehensive partnering process, guidelines for value creation, legal aspects as well as tools and checklists.
- *Culture barriers are too large*. Minor differences are possible to overcome with skills, methods, solid governance etc. However, culture beats strategy in many partnerships!

The most successful companies in partnering know that partnering capabilities almost double their chances for success**. They often have a specialized alliance/partnership function and different persons managing different aspects of the partnership. They also have a centralized decision-making power with regards to alliances/partnerships.

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* Failure rate of alliances:
  - 70% according to Slowinski and Sagal (2003)
  - 52% according to De Man (2005)
  - 57% according to Jeff Weiss, Sara Klein, Stuart Kliman

* * from 37 to 58%, Source: Managing Alliances for Business Results, Weiss, Keen and Kliman

Published Oct. 10 2016

Partnering for success; 5 cornerstones

This is the 5th article about partnering (also called strategic alliances or business partnering).

The main reason for partnering is that both parties want to achieve something significantly better than what they can do on their own. It can be new products, solutions, innovations but also services.

Despite low success rates (30 to 50%) there are still good reasons to do partnering. Is there a straight-forward “recipe” for success then? Well, both yes and no: Partnering requires skills and methods to be successful as it is not an easy task. However, most successful partnerships are built on the below five cornerstones:

No 1 - partnering is built on *trust, trust and trust*. This is the common foundation for all partnerships. As long as trust is kept, there is a good chance for success.

No 2 - both parties have to *stay focused on tasks and activities* which support the common goal of the partnership - not forgetting the short-term goals. It is key to achieve an early success just by reaching such short-term goals. This will enable a positive spiral!

No 3 – always plan for *win-win solutions*. Any deviation from this will affect trust!

No 4 - is to support *new ways of working*. Cross-functional teams will definitely boost results. Strong management support including a common steering group is always important.

No 5 – is good *communication* to enable trust building and information sharing on all levels. In addition, good communication will support a positive common atmosphere. And do not forget to have some fun together!

The above five cornerstones will significantly improve your chances for success.

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Published Oct. 22 2016

Main reasons for Partnering

This is the 6th article about partnering (also called strategic alliances or business partnering).

*"80% of all CEOs in USA are in search of Strategic Alliances/Partnerships in the near future"**

What do they want to achieve then? The very short answer is that they want to create something significantly better than what they can do on their own. It can be new products, solutions, innovations but also services.

What is the more extensive answer?

Business success can be reinforced through partnering with three different purposes:

- Product leadership
- Operational excellence
- Customer intimacy

In general most companies can only excel in one of the ways above.

Product leadership can be achieved by innovative solutions created through partnerships. Fast access to new IPRs (like patents) or new technology could be a key issue. Lower risk and access to skills day one is a common argument.

Operational excellence can be achieved with partners who support you in excelling in efficient supply, lowest total cost or shortest time-to-market.

Customer intimacy can be achieved by partnering with major customers. In this case you strengthen the cooperation with major customers by including new common products or solutions.

Independently of your partnership purpose the foundation is trust, trust and trust. As long as trust is maintained there is a good chance for success. It is also quite common that partnering is an alternative to acquisition – a little bit of a try-and-buy concept. In this way you will definitely discover any potential culture barriers, which is a major problem area in both partnering and acquisitions. You simply start with an engagement before you proceed to marriage!

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Ulric Brandt

* Source: A survey made by PwC 2014

Published Nov. 3 2016

Main reasons for NOT Partnering

This is the 7th article about partnering (also called strategic alliances or business partnering).

In article no 6, I covered the main reasons *for* partnering, but partnering is definitely not the path forward for all companies under all circumstances!

There are cases when partnering is too risky or when there is too little to gain from it – even if you have the skills and tools to manage partnering professionally. I will briefly cover the most common reasons why not entering a partnership:

First: Partnering has a built-in *management complexity*. So, if you can do it alone, do it alone! In addition, the failure rate is fairly high mainly due to lack of skills and culture mismatch between the partners. Particularly the culture mismatch often jeopardizes trust which is the foundation for partnering.

Second: You may create too *strong dependencies* with you partner. If these dependencies will likely be hard to handle, particularly in the long term, partnering is not a good idea. This is especially related to skills transfer, skills spill over, and IPRs (often patents). New IPRs, created during the partnership, particularly in the borderland of the partnership, can potentially be a conflict area.

Last but not least: You may unintentionally create *lock-in effects* with your partner. Partnering normally has a life length of 2-6 years or more. If you have, for example, chosen the wrong partner or allocated too many of your resources in the partnership, you will definitely lose momentum for quite some time.

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Ulric Brandt

Published Nov. 15 2016

Partnering in 5 minutes

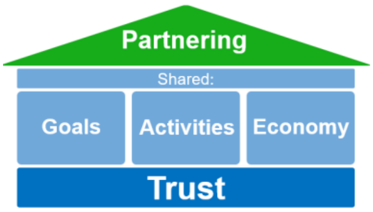
This is a wrap-up article about partnering (also called strategic alliances or business partnering).

In the previous articles I covered partnering fundamentals, the trust aspect, partnering as an alternative to acquisition, why partnerships often fail, cornerstones for success, reasons for and against partnering. Now it’s time for a wrap up!

Partnering basics

Partnering is entirely built on trust, trust and trust. When trust is gone, the partnership breaks. The main reason for partnering is that both parties, as in a marriage, will try to achieve something significantly better than what they can do on their own. However, the life length of a partnership is shorter than a normal marriage – for most partnerships around 2-6 years.

What else is the needed – except trust?



Firstly, you need commonly agreed Goals. These goals are of course within the Partnering Area – the well-defined *game plan* for the Partnership.

Secondly, you need shared Activities, but also those that are specific for each partner. These activities should be focused on achieving the common Goals.

Last, but not least, you need a *shared economy* within the Partnering Area. A shared economy can e.g. include an open-book economy, shared IPRs (often patents), projects and labs.

An alternative to acquisitions

Partnering is sometimes used as a *try and buy* set up, limiting the risks of a future costly acquisition as the Partners first try to work closely together. However, in both partnering and acquisitions, long-term thinking is vital since a 1+1>2 result is expected. None of the alternatives is a good solution for a quick fix, a short-term product gap filler. Both partnering and acquisitions have a low success rate – more than half of them fail. In general, the cost for an acquisition failure is significant higher than for a corresponding partnership.

Culture beats strategy

The short answer as to why partnering/strategic alliances fail is that most of them should never have been started, since there is no basic culture compatibility between the partners.

A longer answer as to why the failure rate is high:

Lack of skills in partnering causes a lot of problems. Few companies have an alliances manager with skills enough to secure success. This means that important aspects are not sorted out and communicated from the beginning, including the purpose and goals of the partnership, the partnering area (playground) and the roles.

Lack of methods and tools. Even if there are basic skills in place there is no easy-to-use method for partnering. This includes a comprehensive partnering process, guidelines for value creation, legal aspects as well as tools and checklists.

Culture barriers are too large. Minor differences are however possible to overcome with skills, methods, solid governance etc.

Cornerstones for success

Most successful partnerships are built on the below five cornerstones:

No 1 - partnering is built on *trust, trust and trust*. This is the common foundation for all partnerships. As long as trust is kept, there is a good chance for success.

No 2 - both parties *stay focused on tasks and activities* which support the common goal of the partnership - not forgetting the short-term goals. It is key to achieve an early success just by reaching such short-term goals. This will enable a positive spiral!

No 3 – both partners plan for *win-win solutions*. Any deviation from this will affect trust!

No 4 – there is support for *new ways of working*. Cross-functional teams will definitely boost results. Strong management support including a common steering group is always important.

No 5 – good *communication* to enable trust building and information sharing on all levels. In addition, good communication will support a positive common atmosphere.

Why go for partnering

Business success can be reinforced through partnering with three different purposes:

- Product leadership
- Operational excellence
- Customer intimacy

In general, most companies can only excel in one of the ways above.

Product leadership can be achieved through innovative solutions created through partnerships. Fast access to new IPRs (like patents) or new technology could be a key issue.

Operational excellence can be achieved with partners who share your effort in excelling in efficient supply, lowest total cost or shortest time-to-market.

Customer intimacy can be achieved through partnering with major customers. In this case you strengthen the cooperation with major customers by creating new common products or solutions.

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Ulric Brandt

Published Dec. 12 2016

Partnering Do´s and Don´ts

This article is about partnering*, what you should do and should not do. In the previous articles I covered partnering fundamentals, the trust aspect, partnering as an alternative to acquisition, why partnerships often fail, cornerstones for success, reasons for and against partnering etc. Here I will briefly cover the most important do´s for success and the most common pitfalls.

The main reason for Partnering is that both parties want to achieve something significantly better than what they can do on their own. It could be new products, solutions or services but also new technology and innovation.

The do´s for success

- Define what you want to achieve. Surprisingly many partnerships fail just because the purpose is unclear. The better you can define the borders of you want to achieve the better are the chances for success. A clear purpose also helps you to define the partnering area – the game plan for the partnership.
- Secure and maintain a mutual trust. This is the foundation of all partnerships including joint ventures. Do not forget that transparency is an excellent trust booster!
- Establish a governance model from the start. A governance model must at least include a joint steering group. Without good governance your partnership is like a ship without a captain.
- Only a true win-win approach will succeed. Partnering is a 1+1=3 concept for all partners involved. If not, it will drain trust and the partnership will eventually fail.
- Secure the activities supporting the common goals within the partnering area. The goals should preferable be both short- and long term. An early success – short-term goals achieved – is a great trust booster.

Do not enter a partnership if:

- The culture barriers are too large. Despite good skills and tools, large culture barriers are hard to bridge. Culture beats strategy!
- The business model (including go-to-market model) is difficult to explain to your customers. They will most likely not accept it. It must be obvious that your partnership is good for you and your partner and also for the customer.

- You have a small company and partner with a big one, you don´t have partnering skills and tools that are on par with the big company. The partnership will be too unbalanced. The big company might eventually “grind down” the small one.
- You risk putting yourself, or your partner, into lock-in situations. This will soon be a major trust drainer. An unsuccessful partnership, that you for any reason has problems to leave, can cause huge problems if other options have been closed.
- You don´t have a clear view on what information to share and what not to share. However transparency within the partnering area is crucial in order to achieve the common partnering goals. Sharing information outside the partnering area can in the long term be a trust drainer but could also cause your company significant damage.

The most successful companies in partnering know that partnering capabilities (including the do´s and don’ts above) almost double their chances for success**.

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Ulric Brandt

* Also called strategic alliances, business partnering or strategic partnering

** From 37 to 58%, Source: Managing Alliances for Business Results, Weiss, Keen and Klima