

Creating Productive Partnerships

How to gain real benefit

By Peter Parrish

Partnering and *partnership* today describe business relationships of wide-ranging purpose, significance and life expectancy. The urge to establish partnerships with other enterprises, and even some desperation to partner, can influence business planning and business development decision-making in both private and public enterprises.

In this issue of **Signals**, we take a look at three contemporary partnering initiatives – strategic, value chain and contractual. And we offer suggestions for gaining real benefit from your partnering activities.

Strategic Partnerships: The most popular of contemporary partnerships, strategic partnerships are typically business relationships based on a common interest of the partners to (1) reach a specific customer segment, (2) fend off shared competition or (3) create a relationship for the purpose of exploring future synergistic opportunities while enjoying an up-close view of an organization of interest. The degree of commitment by the participants to a strategic partnership can be both nebulous and mutable.

A strategic partnership does not generally include a binding agreement of specific performance, thus allowing matters of partner self-interest to override matters of mutual interest. Strategic partnerships may have useful but limited purpose, limited by length of useful life and limited by conflicting partner interest. The effort required to create a strategic partnership needs to be balanced against an honest assessment of the real benefits that will accrue from the partnership.

Value-Chain Partnerships: Value-chain partnerships are born of the interest of organizations participating in a shared value chain to wring additional value from their particular link or links in the chain. The value-chain partnership enjoys a much stronger commitment from its participants than is typical in a strategic partnership. Cooperation within a value-chain partnership is purposefully intended to benefit the self-interest of each partner.

Effective value-chain partnerships need to be on the agenda of every enterprise, from small to multi-national. Developing a value-chain partnership begins with a thorough value chain assessment of an enterprise, confirming the value chain link or links on which the enterprise focuses. Partners are selected for their focus or intent to focus on other, non-conflicting links in a shared value chain. A value-chain partnership is best concluded with a formal agreement between the partners, obligating the participants to specified performance for a specified timeframe under specified circumstances.

Contractual Partnerships: Contractual partnerships are the most consequential of the three forms of partnership reviewed in this discussion. Individuals joining together to create a shared enterprise is the traditional contractual partnership. Contemporary contractual partnerships include licensed operator, franchise, authorized reseller and registered user arrangements. In contractual partnerships, the participants are bound by agreement to perform specified duties with specified limitations and specified obligations to the other partner(s), within a shared endeavor.

Unlike value-chain partnerships where the participants continue to operate at arm's length from one another, contractual partnerships generally cause a co-mingling of operations of the individual participants. Licensees, franchisees, authorized resellers and registered users are contractually committed to produce and/or resell specified goods or services under a specified brand, possibly in a specified territory, to a specified audience or in a specified presentation format. As the name suggests, contractual partnerships exist within the terms of an explicit legal agreement.

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Newsbytes

Telecommuting Going Mainstream.

In 2001, over 31 million people (that's 25% of the US workforce) telecommuted at least part of their work week (Cahners In-Stat, April 2002). With the continued expansion of broadband Internet to the home and with the increased deployment of corporate virtual private networks (VPNs) and other forms of secure Internet connection, telecommuting is enjoying renewed popularity with employees and employers. Our advice? Consider the potential of telecommuting to increase productivity and decrease costs for your enterprise.

The Boom is Back.

All economic indicators suggest that the economy is back on track. Growth in GDP is running between 5 and 6 percent in both Canada and the US. What does this mean to you? It means don't make decisions to dismantle any capacity too hastily. You may wish you hadn't six months from now. The best management thinks long term.

HOW TO REACH US.

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Peter Parrish

Mr. Parrish is an experienced corporate executive; having held senior management positions with a variety of established US and Canadian corporations. Peter has worked with several emerging information technology-related businesses, helping them grow into viable and sustainable enterprises. Peter has a strong entrepreneurial spirit, having successfully implemented many new business initiatives including corporate transformations, renewals, and assisting three business start-ups to become operational. He has over ten years experience in developing and managing national franchise dealer and licensee programs.

Peter is an accomplished agent of change, having skillfully led several business transition projects for his employers and clients. Sharing his extensive retail management experience and his industry affiliations, Peter is the editor and publisher of www.bricksNclicksPROFITS.com, a web forum assisting progressive retailers to formulate winning Internet integration strategies.

The idea for this article arose from recent client work, and reflects Peter's extensive experience in successfully establishing partnerships.

The Signal Group: Our aim – Valuable effective change for our clients.

Chances are your business is already enjoying successful partnering relationships, whether formally recognized or not. Take a few minutes to list these partnerships. Identify your quantifiable objectives arising from and coupled to your enterprise's overall operating objectives. Evaluate your current level of gain from each partnership. If not already occurring, schedule initial partnership review meetings, in person or by phone, with your partners to discuss relationship objectives and responsibilities. (If you cannot justify a meeting with a partner, it is not likely that you have a partnership in any meaningful way.) Having evaluated your current partnerships, examine new opportunities to further improve operating performance through partnering.

To measure the benefit from partnering, every partnership that your business enters into must have clearly stated, adequately quantified objectives. Inform your partner of your general objectives and gain an understanding of your partner's objectives. Meet with your partner on a regular basis – monthly or quarterly, depending on the significance of the partnership - to review your respective outcomes from the partnership. Periodically revise and reset obligations and objectives within the partnership, with a view to increasing partner benefit. No matter how formal or informal the partnership, if each partner's objectives are not being met, the continuation of the partnership must be questioned.

In our experience, a successful partnership has its own form of balanced scorecard. In a partnership, the balanced scorecard is measured and maintained by the relative value of the input and outcome of each of the partners. Maintaining an acceptable level of balance is of greatest importance when one partner is of significantly greater size than the other. The smaller partner is at risk to find itself putting in the greater effort and realizing the lesser gain from the partnership. If objectives are properly set out and continually monitored, the larger/smaller partnership will deliver desired outcomes for both partners.

Investigate before investing your time, money or labor in a new partnership. When possible, interview other current and past partners of your partner-to-be. If your partnership negotiations have not been conducted with your prospective partner's senior management, meet with your partner's senior management to confirm their support for your proposed partnership. Good partners understand and support the values of a reciprocally beneficial partnership. If, following your investigation, you are not certain that your partner-to-be embraces these values, reassess your interest in the proposed partnership.

In summary, when assisting our clients to develop a productive partnership strategy, we always ask:

1. What are the quantifiable gains to be realized from the partnership?
2. Do the projected gains support current strategic and/or operating objectives of your enterprise?
3. What operational or cultural transitions will your enterprise be required to undertake?
4. Will your responsibilities within the partnership create an unwelcome burden on your enterprise?
5. Have you discussed the partnership expectations of your partner-to-be?
6. Are the responsibilities of each partner properly documented?
7. Are periodic joint-partner reviews of partnership outcomes being planned?
8. Has your partner-to-be had experience and success in other partnerships?
9. Are you satisfied that a balanced scorecard can be maintained in the partnership?

Whatever the form of partnership, whatever the business sector, whatever the relative size of the intended partners, whatever the clarity of the partnership agreement, some organizations will make better partners for your business than others. Achieving your partnership objectives depends heavily on your partner's performance. Choose your partners with care.

... Peter Parrish is a partner with The Signal Group and can be reached directly at (604) 329-8476 or by e-mail at peter.parrish@thesignalgroup.net