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Measuring and Managing the Alliance Portfolio[1]

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A portfolio is defined as the totality of something such as securities holdings, or an artist's work. In alliance management, it implies managing multiple alliances as a whole, in addition to managing individual alliances.

Managing the alliance portfolio is a key responsibility of the Chief Alliance Officer. Most large companies have fragmented alliance management structures, thus often having several "chief alliance officers." Each has a responsibility for a piece of the overall enterprise portfolio. It is also not uncommon that multiple alliance management groups have partnerships with the same partner, thus it may become important in certain circumstances to aggregate portfolios at an enterprise level and assess them in a consistent manner. *Measuring* across the portfolio provides a consistent basis to compare like alliances so that the portfolio may be managed. *Managing* across a portfolio allows leadership to ensure that its alliance partners, in totality, are providing the desired strategic and financial benefit.

The main responsibilities of managing a portfolio include:

- Assessing the strategic contribution of each alliance within the portfolio and of the portfolio overall
- Leveraging value creating opportunities within the portfolio
- Allocating alliance management resources amongst the various individual alliances
- Considering the portfolio implications of new partners
- Identifying systemic management and organizational challenges that are preventing individual alliances from achieving intended value

Alliance portfolios and alliance networks have similar management needs. They differ in that networks are organized around a specific purpose and a portfolio is not necessarily organized in that way. Alliance portfolios can be scoped on many different levels. A smaller company may consider all its collaborative relationships within one portfolio. In large enterprises, portfolios may be assembled at a divisional or business unit level or sometimes with a geographic orientation or focus on a particular customer need.

Companies are conducting more and more of their business through alliances and collaborative relationships. Leveraging the value of the alliance portfolio and increasing the return on investing in alliances and alliance management is an essential strategic responsibility of the alliance management profession.

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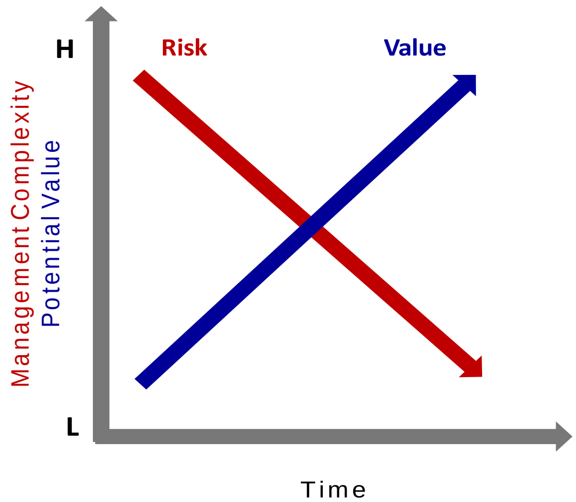
[1] This is an edited excerpt of the chapter on Networks and Portfolios we wrote for the forthcoming revised *ASAP Alliance Practitioners' Guide.*

Measuring Across the Portfolio[2]

There are no doubt other ways to approach the measurement of a portfolio. This methodology has been written about in several papers and has been the subject of numerous presentations the authors have delivered to the ASAP community. Many have implemented it. Core aspects of the alliance management discipline provide the framework for this methodology: Over time minimize the risks caused by the complexity of alliances and other collaborative relationships in order to realize their potential value (see Figure 1).



The Job of Alliance Management
Figure 1

In essence, alliance management protects and enables both the current and future revenues and other forms of value companies want from their alliances. A five (5) step portfolio assessment process based on value and complexity produces a number of measurements that can be utilized to analyze the portfolio, as well as to compare individual alliances in pursuit of improving the ROI of alliances.

Step One – Determine Scope

For this discussion, it is assumed that all alliances within a given organization are part of a single portfolio. This assumption exposes the first complexity in managing the alliance portfolio: Scoping – deciding which specific relationships are in and which are outside of a given portfolio.

Portfolio scope can be a direct result of job responsibility. For example, the global services business unit has all global services partners within its group's portfolio. Within this portfolio, it may be useful to further segment along the lines of how the business is organized. For example, all the

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[2] *How Alliance Management Delivers Value: Moving Beyond Best Practices* (The Rhythm of Business, January 2011) http://www.rhythmofbusiness.com/storage/articles/How-Alliance-Management-Delivers-Value.pdf and *Designing the Enterprise Capability for Managing Collaborative Relationships* (The Rhythm of Business, August 2011) http://www.rhythmofbusiness.com/storage/articles/Designing-Enterprise-Capability-for-Managing-Collaborative-Relationships.pdf

relationships intended to service customers in a specific geography or all relationships that support a product family might be grouped together.

The delineation could also be functionally driven. For example, research partners, commercial partners, development partners, etc. could each be looked at as a specific portfolio. The scope of a portfolio can be defined in any manner that makes sense from a business perspective as long as it can be rolled up to the highest level of evaluation. Using a consistent measurement framework across portfolio segments allows the ability to aggregate and disaggregate data as required for a robust analysis, regardless of a company's existing alliance management structure.

The Excavation Project

When a company first embarks on managing its overall portfolio as well as individual alliances, it may have to start with an "excavation project" to truly understand the scope of alliances and collaborative relationships that should be included in the overall portfolio. The knowledge of the alliances and partnerships a company has is often buried. Many if not most companies, have no central database of alliances. This phenomenon is also experienced when the alliance managers in large companies have had limited span of responsibility and thus likely only know of alliances outside of their responsibility if there has been some direct interaction.

Once an inventory of alliances has been compiled it is advisable to apply a first level filter to determine which relationships are within the portfolio and which are not[3]. Two or three criteria are generally sufficient, as long as at least one is strategic and not financial. If a collaborative relationship meets the first set of criteria, it is then included as part of the alliance portfolio.

Step Two – Decide Profile Criteria

Once a scope of included relationships has been determined, the resulting portfolio is analyzed to establish the current value/complexity profiles of the alliances it contained and the portfolio overall. Recall that protecting and enabling both current and future revenues and other strategic value by minimizing risk causing complexity has been put forth in this methodology as the purpose of alliance management. Thus, the measurement framework identifies specific criteria by which both management complexity and potential value can be assessed.

To select value criteria, a thorough understanding of company strategy and the role of alliances and partnering in achieving that strategy is required. The major forms of strategic value sought are always broader than just financial value. Collaboration takes too much work for the only value to be financial. Keep in mind that the only good reason for an alliance or partner relationship to exist is that it helps an organization accomplish what it is trying to achieve more economically and faster than it otherwise could. If that isn't true, the alliance will waste resource and shouldn't exist.

To determine the complexity criteria, identify the main reasons causing complexity within your company for the type of alliances/collaborations in the portfolio. Figure 2 describes some categories of value and complexity that will be relevant in different situations. For the

[3] See *Launching the Alliance Management Function as an Enterprise Capability*, 2012 ASAP Global Summit presentation available on the ASAP website, Shuman and Ochoa. Also see *Hard Hat Not Needed*, http://www.rhythmofbusiness.com/blog/2011/12/27/hard-hat-not-needed.html

measurement tool to work, there must be an equal number of value and complexity criteria. Five criteria for each are preferable; three is acceptable.

Management Complexity Criteria		Potential Value Criteria	
Decision Making	How broadly decision making is shared between the parties or how challenging it may be to get alignment in one's own organization	**Financial Value**	The expected return on the investment
Relationship Scope	The range of lifecycle stages, geographies, affiliates, technical platforms, contractual agreements, etc. the alliance entails	**Capability**	Expertise that has broader benefits, or that provides access to a business process the company does not wish to build internally
Number of Touch Points	In addition to the scope of the relationship, the number of people engaged in the critical communication and activity streams and the challenge in presenting "one face" to the partner	**Capacity**	Augmentation of existing productive assets, such as increasing manufacturing output
Priority Alignment	Differing priorities placed on the alliance by each partner. This is especially likely when the partners are of significantly different sizes	**Access**	Avenues to new customers or markets
Experience of Doing Business	Newness to partnering, lack of flexibility or transparency, complexity of administrative procedures, lack of alliance management expertise	**Expansion Opportunities**	Additional partnering opportunities that increase resource leverage
Partner Self-Sufficiency or Capability	Ability to take responsibility for business processes or use web-based resources	**Product Portfolio**	New offerings in an area that is of strategic priority
Confidence and Trust	Extent each party believes the other will act in the best interest of the alliance and has the ability to produce work at its expected level of quality	**Reputation**	The company's credentials as a good partner or its brand in the marketplace

Sample Assessment Criteria
Figure 2

It is helpful to include a few specific examples of what is meant by the criterion. For example, the criterion *scope of relationship* could be described as:

- Number of projects/contracts/technical platforms with the partner
- Number of affiliates/functions/geographies it touches
- Number of products/customer segments it represents

In this manner, the criterion, scope of relationship, can be defined for one segment of an overall portfolio in one way (e.g., for service alliances) and in another way for technology alliances, yet still be able to be aggregated so that the criterion applies across different segments.

Step 3 – Score and Map all Relationships

Once criteria to measure management complexity and potential value have been determined, they are scored and mapped to a Matrix. Each factor can be assessed using a scale from 1 to 5, where 1 equals less potential value or less management complexity and 5 equals greater potential value or greater complexity. See Figure 3 for an example of a scorecard that can be used to assess an individual alliance.

Value Complexity Profile					
Evaluate each of the five Management Complexity Criteria on a scale of 1 – 5, where 5 is more complex and 1 is less complex and then total the five scores. If there are specific issues that led to your score, please provide your rationale			**Evaluate each of the five Potential Value Criteria on a scale of 1 – 5, where 5 is more potential value and 1 is less potential value to the Company and then total the five scores. If there are specific issues that led to your score, please provide your rationale**		
Management Complexity Criteria	Rationale	Score	Potential Value Criteria	Rationale	Score
Decision Making • Number of areas in which decision making is shared with partner • The challenge of achieving aligned decisions within the Company *Greater complexity = Greater decision making sharing or challenges*	Increased complexity from split responsibility for manufacturing, development, and commercialization of product	5	**Relative Financial Value** • Potential market value, discounted by time to realization • Revenue generating potential • Upside to company and conversely, the amount the company may have to commit until revenue • Current commitment of resource *Greater value = Greater potential commitment or receipt of money*	Of significant future commercial value could become our largest area in revenue terms	5
Scope of Relationship • Number of geographies the agreement covers • Number of functions and people in our company involved in this relationship • Degree of integration of the work between companies • Number of lifecycle stages covered by the agreement *Greater complexity = Broader relationship scope*	multiple products, worldwide geographies and development phases	4	**Fills Capability Gaps** • Helps develop desired capabilities or expertise that the company intends to put to use beyond this alliance • Sources a capability from a partner that the company does not wish to develop internally • Permits servicing customers in a specific geography *Greater value = Greater capability development or availability*	Establishment of platform as a nucleus for potential longer term expansion	4
Ease of Doing Business with Partner • Partner's experience with partnering • Complexity of the contract • Flexibility and transparency in business operations • Challenge in navigating partner organization *Greater complexity = Less experience, greater contract complexity, less flexibility and transparency, and greater challenges navigating partner organization*	Partner has no partnering experience	5	**Criticality of Relationship to the Company** • Mitigates an identified business risk • Provides an essential input to current operations • Is essential to meeting strategic objectives *Greater value = Greater criticality of relationship*	Has generated new opportunities	3
Alignment of Alliance Management Role • Partner has an assigned alliance manager • Partner alliance manager has a role similar to our alliance manager • Partner alliance manager carries out the role effectively *Greater complexity = Lesser alignment of alliance management*	Single point of contact Governance structure	2	**Expands Strategic Portfolio** • Extent to which this alliance further develops an area which is a strategic priority • Likelihood that the partner brings new business opportunities to the company *Greater value = Greater contribution to achieving strategic objectives*	Has a high strategic value and priority for us	5
Relative Priority • How aligned the partners are on the importance of the alliance to each of them *Greater complexity = Greater misalignment of priorities*	Important to both	1	**Improves Reputation in the Marketplace** • Extent to which this alliance is likely to improve company's reputation among potential partners *Greater value = Greater enhancement of reputation*	The alliance has received recognition	5
	Total Complexity Score	17		Total Value Score	22

Value/Complexity Profile Scorecard
Figure 3

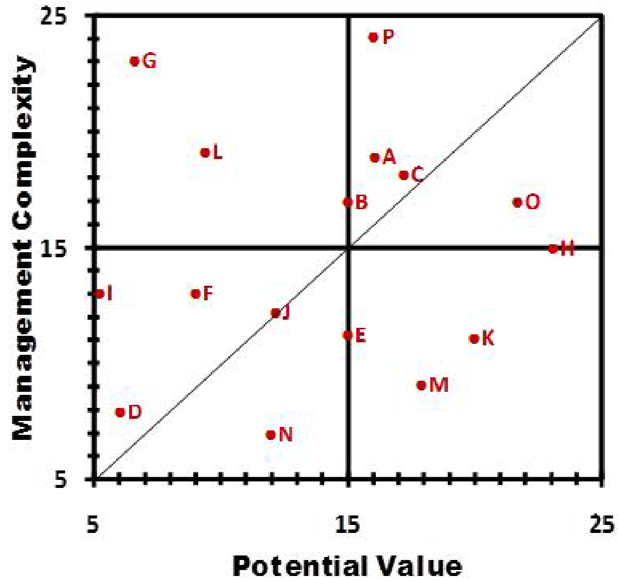
Mapping the scores on the Value Complexity Matrix presents a visualization of the portfolio (see Figure 4). To map each relationship in the portfolio, locate it at the intersection of the total value and complexity scores for each alliance. The scorecard in Figure 3 is plotted on the matrix as Partner O.

Once this is done for each alliance, stand back and assess what the picture represents.

Step 4 – Analyze and Manage the Portfolio

The individual value/complexity profile scorecards and overall aggregation and mapping of the portfolio provide the basis for an analysis that informs nearly all of the aspects of managing an alliance portfolio. The analysis begins with calculating a metric from the value and complexity profiles for each alliance and then aggregating the individual alliance scores into a portfolio score.

Partner	Management Complexity	Potential Value
A	19	16
B	17	15
C	18	17
D	8	6
E	11	15
F	13	9
G	23	7
H	15	23
I	13	5
J	12	12
K	11	20
L	19	9
M	9	18
N	7	12
O	17	22
P	24	16
Average	14.8	13.9



Sample Alliance Portfolio
Figure 4

Return on Collaboration

Taken together, the relationship between potential value and management complexity offer a Return on Investment metric – *Return on Collaboration (RoC)* (see Figure 5) that is calculated for each alliance and averaged for the overall portfolio.

$$\text{Return on Collaboration} = \frac{\text{Potential Value}}{\text{Management Complexity}} \times 100\%$$

Return on Collaboration
Figure 5

The metric is calculated by taking the sum of the potential value criteria ratings, dividing it by the sum of the management complexity criteria ratings, and then multiplying by 100%. Using the scorecard in Figure 3, return on collaboration is calculated as (22/17)x100% = 129%. RoC is a measure of the net strategic and financial benefit an alliance or other collaborative relationship produces, both as an individual alliance and as a component of a specific portfolio of alliances. Aggregating the individual alliances creates the total portfolio value. Figure 6 uses the data from Figure 4 above to demonstrate this.

Partner	Management Complexity	Potential Value	RoC
A	19	16	84%
B	17	15	88%
C	18	17	94%
D	8	6	75%
E	11	15	136%
F	13	9	69%
G	23	7	30%
H	15	23	153%
I	13	5	38%
J	12	12	100%
K	11	20	182%
L	19	9	47%
M	9	18	200%
N	7	12	171%
O	17	22	129%
P	24	16	67%
Average	14.8	13.9	94%

Sample Alliance Portfolio
Figure 6

Managing the portfolio – using RoC

There are many ways to analyze the data. The 45 degree line on the matrix in Figure 4 (where these data are plotted) reflects the dividing line between those alliances that are providing a "positive" return on the investment of time and effort to manage the complexity (all relationships to the right of the line) and those where the potential value is less than the investment (all relationships to the left of the line).

Alliance and partner managers are often shocked to see the number of relationships and which relationships fall on the left of the 45 degree line. These are relationships where the "give" is more than the "get." Context is essential. That may be the right balance for certain relationships that are in a development stage, where one is consciously investing. It may also mean that the relationship is a resource sink, requiring too much management time and attention for the return it offers.

The positioning of portfolios on the Value Complexity Matrix is not static. An alliance that has a RoC of less than 100% today may become much more positive as it achieves certain value creating milestones or specific action reduces complexity. To be worthwhile, over time the value of what one receives must be greater than the cost of receiving it. And because alliances and collaborations must provide benefit for all concerned, each party must perceive that the benefit (the "get") is greater than the cost (the "give"). However, what is important and useful to one party to the collaboration may be of limited use and value to another party. Additionally, if that value isn't available to be realized in a timely manner, value is lost. Only the recipient can assess value, as value is personal, relative, and time sensitive. Something may be of negligible value to the party offering it, but it may be exactly what the recipient needs, or vice versa.

In the RoC calculation, the potential value represents the "get" as assessed by the recipient of the value. Management complexity is representative of the time and effort that must be expended. It is the "give" the recipient must spend in order to realize the "get." In this manner, it is possible for each participant to assess the alliance from its perspective – and for both to recognize net benefit. This is the essence of what is meant when collaborations are described as relationships that must be win-win. Each party must believe that the value received from an alliance is greater than the time and effort it takes to get it.

The RoC ranks the portfolio according to value relative to effort. That has a number of uses including:

- Determining if the overall portfolio is contributing the desired strategic value and if not, which alliances are causing the problems and leaving untapped sources of value behind
- Identifying systemic or cultural issues that are preventing the portfolio from realizing its full potential – by analyzing and comparing the individual criterion across the portfolio it is possible to determine if a condition is unique to an individual alliance or more pervasive across alliances and thus should be addressed at a portfolio or organization level and not ad hoc.
- Highlighting opportunities to leverage value across the portfolio – different partners have different strengths and weaknesses. Look for opportunities to combine strengths and offset weaknesses by engaging with multiple partners. Also look to leverage learning about alliance management policies and practices that seem to work in certain instances. Adopting these practices across an alliance portfolio has been shown to improve overall alliance success[4]

Strategic value

RoC can be used in a number of ways to get a sense as to if the portfolio is currently structured to drive the strategic and financial contributions expected of it. One way is to judge if the portfolio contains an appropriate number of alliances that are being invested in and those that are generating value. In a mature portfolio one would want to see a mix of alliances with an RoC at just about 100%. As a mean in a range, it implies that there is a balance of alliances contributing to strategic value and those that are consuming resources without concomitant value. If one is in the early stages of building a portfolio, it is reasonable to expect that more alliances would be in the investing stage and thus the overall RoC should be lower.

This, and other classic portfolio management evaluations can be made when all of the alliances in the portfolio – and across like alliances – are measured by a consistent set of criteria. One perspective on alliances that can be particularly useful is to examine the portfolio based on the purpose of the alliance. Aggregating and disaggregating the data from any meaningful perspective is a core reason to analyze a portfolio.

Managing the portfolio – using individual criteria

Evaluating systemic issues

Alliance challenges are often the result of cultural and operating differences between the partners. Companies may find that necessary change must occur internally and across all partnering activities, rather than with individual partners. Evaluating the individual criteria across the

[4] De Man, Ard-Pieter and Geert Duysters, *Fourth State of Alliance Management Study*, Association of Strategic Alliance Professionals, 2012.

portfolio can provide a window into opportunities to improve alliances by focusing on internal processes, programs and training to enable the company to be a better partner.

Figure 7 presents the scores for a portfolio of five partners. Looking across the partners for each criterion reveals a few potential concerns. The high complexity scores for the *ease of doing business with partner* criterion says that regardless of partner, the company finds it particularly challenging to do business with partners. Why might that be? Similarly, the relatively low value scores for the *fills capability gaps* and *expands strategic portfolio* suggests that value is being left unrealized or that perhaps there is a problem in the partner selection process.

Value Complexity Portfolio						
Management Complexity Criteria	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Average
Decision Making	5	4	3	5	3	4.0
Scope of Relationship	5	4	4	4	4	4.2
Ease of Doing Business with Partner	4	5	4	5	5	4.6
Alignment of Alliance Management Role	4	2	3	2	4	3.0
Relative Priority	1	1	2	1	4	1.8
TOTAL SCORE	19	16	16	17	20	17.6
Potential Value Criteria	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Average
Relative Financial Value	5	5	5	5	4	4.8
Fills Capability Gaps	2	2	2	4	2	2.4
Criticality of Relationship to the Company	3	5	2	3	4	3.4
Expands Strategic Portfolio	3	2	3	5	2	3.0
Improves Reputation in the Marketplace	3	4	2	5	5	3.8
TOTAL SCORE	16	18	14	22	17	17.4

Value Complexity Portfolio
Figure 7

The scoring of the portfolio also provides a communication tool that can be used to assess partner selection criteria for specific types of partners. For example, if too many partners don't have the capacity to take on additional customers or products and that is an objective of alliance strategy, the evaluation of potential partners may need to be adjusted to bring in more partners with capacity. Similarly, if multiple parts of the organization have a relationship with a partner, evaluating the partner from each organizational unit's perspective will give a holistic perspective on the partner. In some instances, value that one group realizes may be negated by the resource drain on another.

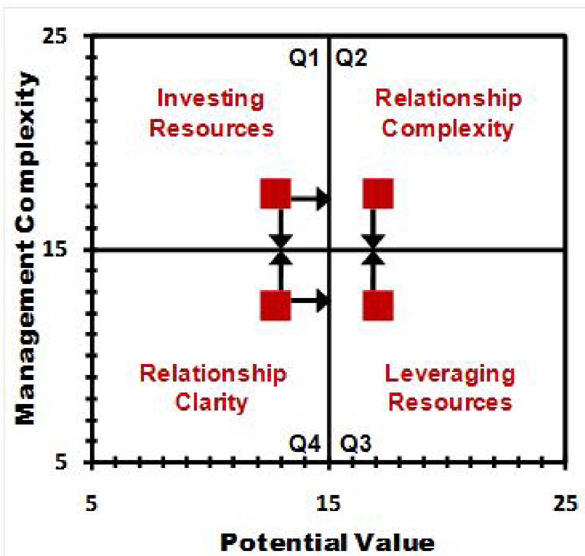
Leveraging value across the portfolio

There are two major avenues for leveraging value across a portfolio. The first is described in the preceding section. By identifying and responding to common challenges value can be increased across the portfolio through a single action. Positive learning can also be leveraged. For example, if a certain subset of alliances responds positively to a specific activity, that is an indication to roll it out more broadly.

Other ways of leveraging value include finding ways of connecting partners in one's portfolio as a means of capitalizing on existing investments in relationships and relative strengths and differences to create new value. Once partners within a portfolio connect, collaborative networks start to form.

Managing the portfolio – using the matrix quadrants

Another view of the portfolio is shaped by the four quadrants of the matrix. The relative combination of management complexity and potential value for each quadrant (see Figure 8) suggests a generalized management strategy that can be applied to relationships that fall within the quadrant. The arrows represent possible paths to guide the alliance to a more desirable position in the portfolio.



Management Strategies
Figure 8

- **Q1 Investing Resources** – The RoC of all relationships in this quadrant is less than 100%. They consume a disproportionate level of time and effort due to their high management complexity but are not providing much value. Try to increase the perceived potential value and/or reduce management complexity and move to Q2 or Q4. If neither can be done, consider re-negotiating or terminating the alliance so that the investment of resources doesn't continue without being matched by an increase in value.
- **Q2 Relationship Complexity** – Alliances in this quadrant provide significant value but require a lot of time and effort to manage. They can have an RoC ranging from 60% to 167%, assuming that five criteria are being scored. Try to reduce the complexity of managing these alliances without reducing the value provided while looking for additional opportunities to expand value. However, some alliances will always be extremely complex, simply because of their geographic scope and range of activity. Every balanced alliance portfolio will always have relationships in this quadrant.

- **Q3 Leveraging Resources** – The RoC of all relationships in this quadrant is greater than 100%. Alliances in this quadrant provide significant value without consuming a lot of management resources. Care has to be taken with these collaborations so that the partner also sees it as a relationship that provides significant value. If it doesn't consider the relationship to be one of great value, the lack of alignment could lead to additional complexity or team members could feel that they need to go out of their way to provide greater value which could increase the number of touch points, people involved in decision making, etc. These are also opportunities that are ripe for innovation, as the high value and relatively low complexity environment provides opportunities to expand the value each party receives
- **Q4 Relationship Clarity** – Alliances in this quadrant have an RoC that ranges from 33% to 300% (based on five criteria). Consider relationships in this quadrant as essentially transactional, "arm's-length" contracts where greater value is realized by minimizing the time and effort it takes to receive it

As can be seen from the range of RoC scores, it is advantageous to have a balanced portfolio to deliver intended strategic and financial value. It maybe counter-intuitive that low value relationships situated in Q4 are desirable. Running the numbers shows that may indeed be the truth, especially in circumstances when a large number of relationships are required to gain the breadth of value required. This point emphasizes the importance of understanding the strategic intent of the alliance portfolio and the value it currently brings.

Much of the discussion has been about reducing complexity, yet Q3 & Q4 show arrows reflecting the intent of increasing the level of complexity. Why would a company want to do that? As described above, it could be forced upon it by the partner in an effort to preserve value. The other reason a company may want to increase the effort is to invest in an innovative project that would expand value for all partners. If it is believed that it is possible to move a Q4 alliance to Q2, the likely path is an investment of time and effort that moves the relationship first to Q1 and then to Q2 as the value increases.

One additional management strategy is relevant when in rare instances it may, over time, be possible to identify a means to increase potential value without a significant increase in complexity and move the alliance directly from Q4 to Q3.

Individual alliances and the alliance portfolio overall are not static, they are dynamic. Strategies and leadership priorities change. External circumstances, such as new competitors, acquisitions, and changes in the regulatory environment all impact the value and complexity of the portfolio. Additionally, as the alliance moves through its lifecycle, the balance between complexity and value will change. The challenge is to recognize the right balance at any given time for the portfolio as well as an individual alliance and take the actions necessary to create a desirable return on collaboration measure.

Analyzing an alliance portfolio from the perspectives of value and complexity leads to questions such as:

- Why do we have this alliance? Is its RoC appropriate for its stage of development?
- Do team members realize how important this alliance is to us strategically? Conversely, do we realize it is actually wasting resources?

- How are alliances with RoC of greater than 100% alike? Likewise, how are alliances with RoC of less than 100% alike? Importantly, in what ways do the greater than 100% RoC alliances differ from the less than 100% RoC alliances?

Organizations don't always consider the strategic implications of their overall alliance portfolio. An alliance that by itself looks promising may not necessarily be value-creating from an overall portfolio perspective, especially if there are competitive issues to consider or if resources are limited and must be drawn from other promising alliances. Consequently, the formation of a new alliance or continuing to invest in an existing alliance may be an overall value destroying move.

Step 5 – Define the Necessary Capability and Allocate Alliance Management Resources to the Portfolio

With an understanding of the management needs of its portfolio, a company can determine how to allocate alliance management resources. Recall that the value/complexity matrix draws from the essentials of alliance management:

Over time, minimize the risks caused by the complexity of alliances and other collaborative relationships in order to realize their potential value.

From this relationship between the key elements of alliance management one can infer that more complex relationship require more management. Valuable but not so complex relationships should be left to "just get on with it" – with appropriate monitoring to ensure they retain a generous return on collaboration.

It is important to note that increasingly alliance management resource is provided from other functions and often in small bites. A project manager may spend 25% of his/her time on alliance management activities. A researcher may spend 10%. When alliance management resource is dispersed, understanding the management needs of the alliances that make up the portfolio is essential to properly allocating that resource.

By categorizing its alliances and other collaborations into portfolios of relationships with similar strategic purposes, an organization can:

- Assess whether the overall portfolio is providing the desired strategic value
- Recognize the portfolio implications of, and on, the individual alliances that comprise the portfolio
- Identify and address problems that are common across alliances
- Allocate limited resources more effectively across alliances
- Understand the nature of the alliance capability the company needs to effectively manage the portfolio
- Facilitate communication and decision making for senior management relative to the portfolio

Mastering Your Portfolio in Five Easy Steps

In summary, here is the process to use to think about how to manage your portfolio to reduce the risk caused by management complexity and realize all potential value:

- **Step One – Determine Scope:** Decide what is in and what is outside of your portfolio
- **Step Two – Decide Profile Criteria:** Determine the forms of value the company's strategy seeks to realize through partnering. Also determine what creates risk in these relationships and makes the management of them complicated
- **Step Three – Score and Map All Relationships:** Apply a simple scale to the equally weighted value/complexity criteria and map each alliance's score to a matrix
- **Step Four – Analyze the Results**: Use the Return on Collaboration (RoC) that is derived from the profile to identify which alliances are requiring more "give" than the resulting "get." The result provides insight into both internally and externally focused efforts that can improve portfolio value
- **Step Five – Define and Align Collaborative Capability with the Portfolio:** Use potential value and management complexity to help determine the resource needed to manage alliances and how that resource can be allocated throughout an organization.

Managing a portfolio of alliances is more than having responsibility for multiple individual alliances. It encompasses using the portfolio perspective to ensure desired strategic value is realized, that systemic and cultural opportunities to improve workings with partners are recognized and pursued and that ways to create greater value out of the whole become the goal of managing a portfolio of alliances.

Jan Twombly, CSAP and Jeff Shuman, CSAP, PhD, are Certified Strategic Alliance Professionals and principals of The Rhythm of Business, Inc. (www.rhythmofbusiness.com). The company provides comprehensive consulting, research and education services for alliance and collaboration management. The principles serve the Association of Strategic Alliance Professionals in various leadership roles, including the Executive Committee of the Board of Directors. Their methodologies inform Shuman's popular MBA courses on Managing Collaborative Relationships and Entrepreneurial Thinking at Bentley University where he is professor of management.