SMART Partnering™

THE POWER TO PARTNER EVERYWHERE

Why You Need It, What It Is, How to Build It

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The Rhythm of Business®

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The Partner Everywhere Imperative

We are in the midst of the fourth industrial revolution. Customers are in charge. New competitors and potential partners are ubiquitous. Building the power to partner everywhere is an urgent organizational imperative.

- **It must be championed and owned by the executive suite.** Senior management drives it through a coordinated enterprise wide capability-building program with accountable leaders for key initiatives and multiple projects in all areas of the business
- **It must be acknowledged that managing external relationships is part of every senior level job.** And staff at all levels need skills to engage with partners – and to collaborate effectively internally
- **This is not a niche project that gets shunted aside for "more pressing matters."** It is a significant organizational change initiative

But not one done in a vacuum. The overarching context is transformation. Digital business transformation. Becoming customer obsessed. Taking advantage of the fourth industrial revolution technologies that are upending the relationship with the customer while reshaping and redefining business processes and business models.

Technology
+ Partnering
Successful Business Transformation

Figure 1 – The Transformation Equation

None of these imperatives can be done without a next generation partnering capability *(See Figure 1).*

This is how the challenge of managing relationships is met when partnering is ubiquitous and organizations need the ability to partner externally everywhere – in every function of their organization and at all levels. This central challenge of organizational capability confronts executives today – and cannot be ignored.

However your company is preparing for the impact of digital business transformation, a next generation partnering everywhere capability is essential for your success.

The Meaning of 'Everywhere'

Everywhere *adverb* [ev-ree-hwair, -wair].
In every place or part; in all places.

This common word has many implications. It could refer to something scattered – thrown about everywhere. It could signal thoroughness – travelling everywhere within a country. In every part, in all places.

When we say "partner everywhere," we're calling upon the thoroughness or pervasiveness aspect of "everywhere." It is a purposeful phrase to describe the nature of partnering activity in business and society today. Partnering – by which we mean external relationships that require an exchange of value other than just money – is indeed everywhere in an organization. From end to end and top to bottom. Research and development, engineering, manufacturing, IT, marketing, sales – all functions have external partners. The speed, scale, and scope of partnering are unprecedented. Partnering is ubiquitous.

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Today, there is a growing recognition that our businesses operate within an ecosystem of firms and perhaps multiple ecosystems, depending on how the concept is defined *(See Figure 2 for the classic definition of an ecosystem)*.

In a business context, "ecosystem" can refer to all the potential companies that could be involved in delivering a customer experience for anyone with the set of needs (also referred to as a use case) around which the ecosystem is organized. Other times ecosystem is a subset – the network of companies chosen from all the possible companies that could be assembled for a specific purpose. This could be to conduct research about a certain problem; to develop a product/solution and get-to-market to meet certain customer needs; or to create the network that goes to market, bringing that product/solution to the customers and providing associated support and services. Sometimes a single partner crosses functions from co-development, get-to-market activities and also participates in co-commercialization, go-to-market activities. Other times there are specific partners associated with each discrete activity.

Ecosystem

noun ec·o·sys·tem /ek-oh-sis-tuhm/

1. A community of organisms together with their physical environment, viewed as a system of interacting and interdependent relationships

2. A complex network or interconnected system

Figure 2 – Classic Definition of Ecosystem

The power to partner everywhere means that throughout your business, wherever it engages with external partners, the mindset, skillset, and toolset to partner well are infused in the culture, ingrained in behavior, and integrated into how work gets done.

Partnering with competitors has become the norm. Companies have complex relationships where a partner is also a customer, a supplier – or both. Relationships with a single company differ across business units in purpose, extent, and importance. The number of permutations and the resulting number of activities and people that must be coordinated are mind-boggling. It requires a next generation partnering capability to realize intended value throughout a business partner ecosystem. There are interdependencies within an ecosystem. One firm frequently cannot offer its input unless it receives input from another. Value doesn't just flow in a chain. It flows across and throughout the network or networks assembled from the broader ecosystem. Value depends on the nature of the connections between and among the members.

Ecosystem partnering brings together multiple companies with different capabilities and resources, different business models, and increasingly, various industry orientations to provide a holistic "solution" for a use case or specific customer situation. It incorporates numerous partnering models and value propositions.

New business models made possible by digital business transformation often mean that partners only capture financial value when the end customer gets its value, either through utilization or achieving specific outcomes. In these instances it is essential in early stages of the relationship that you recognize and capture "softer" forms of value, such as access to expertise, a distribution network, or perhaps data, that are part of the reason for partnering with that specific entity.

The partnering capability has to touch every node of the ecosystem or relevant network to deliver value to the whole. This is, similar to the evolution we see in technology networks, where the goal is to place both compute power and analytical capability in the hands of the users of smart, connected devices. The goal in this next generation partnering capability is to place the ability to create, deliver, and capture value at the edges of the enterprise – in the hands of the people and systems directly interacting with the customers, partners, and other stakeholders in the ecosystem.

Or to call upon a biological analogy, partnering capability must pervade down to the cellular level – in the cells and tissues that make up bones, muscles, and blood of an organization.

The power to partner everywhere means that throughout your business, wherever it engages with external partners, the mindset, skill-

set, and toolset to partner well is infused in the culture, ingrained in behavior, and integrated into how work gets done *(See Figure – 3 Partnering Capability)*.

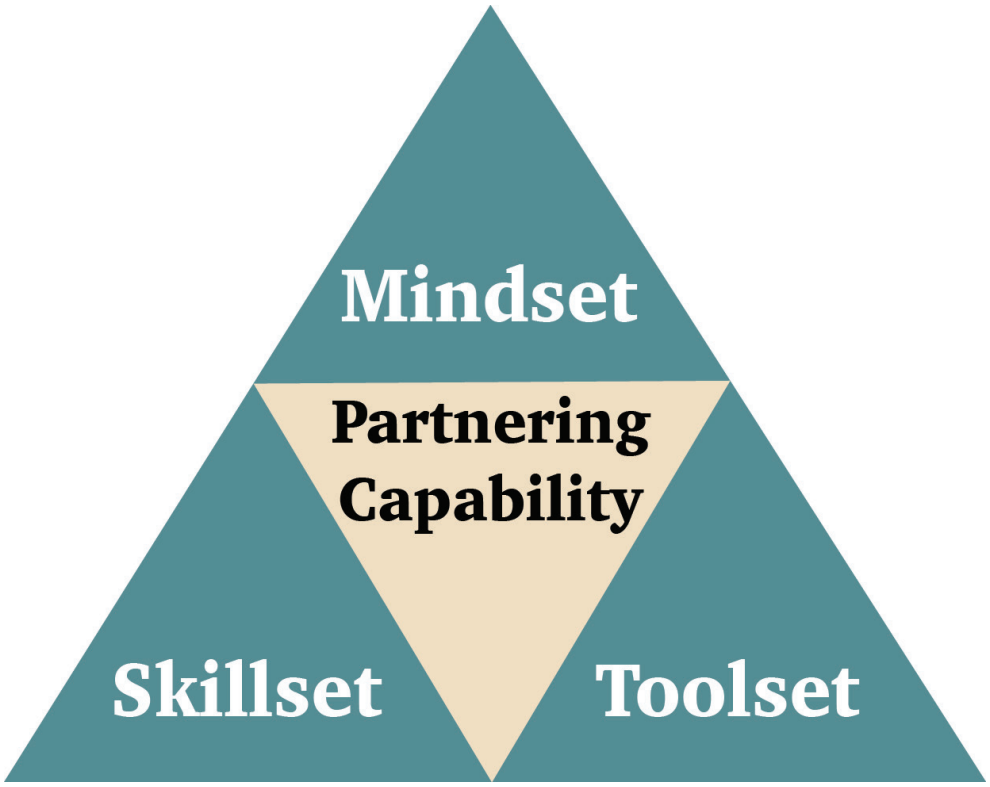

Figure 3 – Partnering Capability

It means taking a holistic view of your business and seamlessly connecting the customer to both upstream development (get-to-market) and downstream distribution (go-to-market); leveraging synergies across business units and geographies; and laying a network over the typically siloed functions of the enterprise.

Key Points to Take Away

1. The speed, scale, and scope of partnering are unprecedented. Partnering is ubiquitous.
2. There is growing recognition that businesses operate within an ecosystem of firms – referring either to all the potential companies involved in delivering a customer experience or the subset assembled for a specific situation.
3. It requires a next generation partnering capability to realize intended value that no longer just flows in a chain, but throughout the ecosystem. This capability must touch every node of the ecosystem to deliver value to the whole–meaning a large number of permutations of potential partners, activities, and people must be coordinated.
4. Next generation partnering everywhere capability pushes the ability to create, deliver, and capture value to the edges of the enterprise – into the hands of the people and systems directly interacting with customers, partners, and other ecosystem stakeholders.

Three Questions to Ask Yourself

1. *Is your company increasingly engaged with external partners?*
2. *Does your company take an ecosystem approach to partnering?*
3. *How well is partnering ingrained in your culture and integrated into how work gets done?*

Digital Business Transformation and Next Generation Partnering Everywhere Capability

Many companies have been partnering for years. Some organizations understand better than others how to partner successfully – and tend to be far more satisfied with their partnering results. KPMG's U.S. CEO Outlook 2016, which focuses on business transformation in light of the fourth industrial revolution, found that two-thirds of CEOs surveyed expect to grow through collaboration. Yet only 44% believe their companies were highly capable at collaborating with external parties. Less than one-third consider their companies able to connect in a beneficial way with universities or startups[1] – critical sources of innovation and talent.

Two-thirds of CEOs surveyed by KPMG expect to grow through collaboration. Yet only 44% believe their companies are highly capable at collaborating with external parties.

Recent research published by MIT's Sloan Management Review and the Association of Strategic Alliance Professionals finds that business success is positively correlated with partnering well.[2] There is no doubt about it. The ability to collaborate effectively with external parties is an essential component of a successful business as it navigates the headwinds of digital business transformation engulfing all industries and companies of all sizes.

Following are a few scenarios for you to think about.

Take U Bike. The public bike rental service in Taiwan connects people with things and is a successful example of the sharing economy and smart city applications of the Internet of Things (IoT), a fourth industrial revolution technology. Behind every one of the 100,000 daily transactions carried out by 3.3 million members, the system of kiosks, bike docks, and bicycles collects and transmits data, accepts members, and administers billing and payment systems, processing all this data with analytical applications so that management can effectively direct operations.

U Bike and many new business models, services, and transformed business processes that are producing benefits for the environment and transportation would not be possible without the ecosystem of partners behind the solution. To grow U Bike from a service offered by Taipei City Department of Transportation to one offered in other Taiwanese cities, local manufacturer

[1] "Now or never. CEOs mobilize for the fourth industrial revolution," KPMG, LLP, 2016

[2] See "Data Sharing and Analytics Drive Success with IoT" *MIT Sloan Management Review,* September 2016 and *6th State of Alliance Study: Social Capital & Alliance Performance,* Association of Strategic Alliance Professionals, September 2016

Three trends reshaping business:

1. Fourth industrial revolution technologies

2. Primacy of the customer experience

3. New competitors, new partners

Giant Bicycles connected with solution partners Intel, Advantech, and Microprogram. Their collaboration enables the secure transactions that let riders pay for and undock bikes; and for the system to collect, store, process, analyze, and transmit data to managers to run their business in a manner that delights customers.[3]

Consider a solution aimed at improving agricultural yields. Sensors gather information about the nutrients and moisture in the soil. This is combined with weather forecasts and general climate data and then delivered to farmers on their smartphones while they are in the field making decisions about irrigation, planting, use of fertilizer, and harvesting. In order to accomplish this, multiple partners are involved, including:

- Sensor vendors
- A silicon manufacturer
- Software running on the silicon
- An original design manufacturer (ODM)
- A systems integrator
- A connectivity provider
- A weather service provider
- Local governments
- Farmers

Through the power of the transformation equation of **technology + partnering,** yields have doubled and crop prices have stabilized.[4]

Does your company have the capability today to effectively put together and execute on partnerships this intricate?

Three Trends

Resiliency, and the courage to be bold and think differently about partnering, are essential in the face of three powerful trends that are reshaping business:

- Fourth industrial revolution technologies
- Primacy of the customer experience

[3]http://www.intel.com/content/www/us/en/internet-of-things/videos/iot-gateway-youbike-video.html, and https://en.wikipedia.org/wiki/YouBike

[4]As described by Jonathan Ballon, VP and General Manager, Internet of Things Group, Intel during a keynote speech, ASAP Global Alliance Summit, March 1, 2016

- Challenges of new competitors, new partners

The technologies of the fourth industrial revolution – artificial intelligence, robotics, biotechnology, nanotechnology, the Internet of Things, to name a few – are enabling companies to reimagine how they do business. Invariably, new business models are more externally focused than in the recent past. Partnering models are evolving from one-to-one, hub-and-spoke alliances to ecosystem partnering. The speed, scale, and scope of this partnering are unprecedented for most companies. We are in a time of experimentation with little guidance for companies to follow. Few are familiar with what to do. Fewer are fully prepared to execute.

This means companies must reimagine the ways they partner and realize value through these collaborations. Business models are increasingly based on consumption or outcomes, not ownership. Services and information are built into products. Customers who are "always on" as individual consumers expect similar experiences as business buyers – and as partners. We want interactions under our control and accessible across all channels of engagement.

New competitors emerge every day from unseen quarters. Startups embracing platform business models such as Über and Airbnb play by different rules than those expected of established businesses. Even companies such as GE, IBM, and Philips who are forging ahead, building their own innovative business models, don't get the leeway given to the disrupters by the financial markets. Less nimble incumbents struggle to shift their businesses from legacy cash cows to emerging new models. Some will – many will not. According to former Cisco CEO John Chambers in his final address to Cisco Live in 2015, "Forty percent of enterprise customers around the world will not exist in a meaningful way ten years from now."[5]

In this environment, partnerships necessarily range the gamut. Some are loose and barely collaborative, where just a little bit of coordination and exchange of information are required. Others are very tightly coupled, where all types of resources are leveraged and used for a common purpose. The latter type of partnership is best thought of as an entity unto itself – but one that exists within the strategies, cultures, structures, and work processes of two or more firms. Increasingly, getting a complex product or solution to a customer requires many partners that must be coordinated through and within an ecosystem. A different network or instancing of partners may be required for each geography or distinct customer situation.

Companies must reimagine the ways they partner and realize value through collaborations. Business models are increasingly based on consumption or outcomes, not ownership. Services and information are built into products. Customers who are "always on" as individual consumers expect similar experiences as business buyers – and as partners. New competitors emerge every day from unseen quarters.

[5]https://www.mckinsey.com/industries/high-tech/our-insights/ciscos-john-chambers-on-the-digital-era

Qualities of next generation partnering everywhere capability:

1. Take an ecosystem perspective

2. Design the partner experience

3. Unite silos

For example, one industry that makes liberal use of partners is biopharmaceuticals. Its ecosystem participants continue to specialize as the traditional manufacturers focus on their core capabilities. So while once there was a partnership between a drug discoverer and the company that develops, manufacturers, and markets the drug, today there are clinical research specialists, companion diagnostics developers, device developers, and local commercial partners, among others. Different partners may be needed to run clinical trials in various countries or to market the drug. This ecosystem has to come together to maximize value for the whole and thus each participant – especially when high-priced drugs are starting to be reimbursed on the basis of patient outcomes.

The dynamics inherent in these trends pose challenges even for experienced partnering organizations, whose approach and capabilities tend to have three characteristics in common:

- They assume one-to-one, hub-and-spoke interactions with a partner, even when it takes multiple partners to bring a solution to customers
- Companies generally expect a level of control over their partners and thus design partnering experiences from their own perspective, not from the partners' perspectives
- Partnering and alliance management are siloed and not sufficiently integrated into strategy, operations, and execution, especially as the focus moves to the edges of the enterprise

None of these conditions is well-suited for partnering in an ecosystem or at the scale, speed, and scope required today.

Organizations today require next generation partnering capabilities that have the following qualities: They take an ecosystem perspective, design the partner experience, and unite silos.

Take an ecosystem perspective

One thing is certain about business today – it is hyper-connected. Business processes are interdependent. Customers seek a solution, delivered through a consistent omnichannel experience. According to Gartner, 89% of executives believe that the customer experience has become the basis of competition.[6]

[6]*Customer Experience Is the New Competitive Battlefield,* Gartner, June 2015

You must take an outside-in lens to design and deliver the experience customers seek. This means thinking and acting holistically. Don't start with individual components of a solution and then try to assemble a customer experience and value proposition. Start with the desired customer experience and think about all the players who have to be aligned with that vision and then develop value propositions that satisfy all concerned.

It is not uncommon, especially in highly technical or scientific solutions, for five to seven partners to be involved *(See Figure 4 – Ecosystem Design)*. How is this complexity managed in practice? By engaging with partners in concentric layers. Highly collaborative partners are at the core. One takes the lead, having brought in the others. The leader, also known as an orchestrator, recruits complementary partners that are critical pieces of the solution, but a step removed in importance and degree of collaboration. Finally, you add ancillary partners, with which there may be a level of IP or data exchange, but which are also specific to certain conditions relative to the solution, use case, or individual customer situation.

Figure 4 – Ecosystem Design

The orchestrator is responsible for designing the partnering experience and ensuring that value is generated throughout the ecosystem. In practice, this concentric perspective shows how research, product/service development,

Senior executives should be engaged with partners. Management has to make partnering well a priority throughout the enterprise.

Any organization that intends to use partnering as a pillar of growth must bake it into strategy, embed it into operations, and execute it flawlessly.

and delivery occur when the ecosystem is recognized and leveraged. Partner management also needs to see holistically to optimize value for all concerned.

Design the partner experience

Companies have choices about partnering. They choose partners, the resources they commit to partners, and the priority they place on any one partner. Companies partner when there is philosophical, strategic, and scientific/technical alignment, as well as a belief they will gain value for their customers and stakeholders by doing so.

It is a cliché, but true: Having a reputation as a "partner of choice" or otherwise being known as a good partner provides a competitive advantage. If others know that your company cares about the experience they have partnering with you, and see that you put effort and resources into ensuring they get the value they seek from the relationship, they in turn will be more likely to commit resources and prioritize you over others. This is the reciprocity principle at work. In certain instances, companies must choose to partner with you or another company – not both – so winning that competition matters.

How can you be a partner of choice? Understand and design the experience partners' desire, recognizing they can only be influenced, not controlled. If the relationship is one of control, the creativity and innovation of their people won't be available to your company. Your reputation as a desirable partner likely suffers – with measurable negative impact when a market leader passes you by for your competitor. Not all the smart people work for you. Accessing the knowledge, expertise, and insights of partners' people requires letting go – which doesn't mean partners are unaccountable. That's the role of principles-based governance that encourages and enables all concerned to do their best.

Unite silos

Partner and alliance management's key role is to integrate partnering activity within functions and, where applicable, across business units. It unites silos to ensure that the strategic objectives and intended value of partnering are realized for all concerned. As seen in *Figure 5 – Partner Integration Model,* this integration has to occur throughout the organization.[7]

The integration also has to occur at many levels. Senior executives should be engaged with partners, modeling appropriate collaborative behavior, and

[7]For a comprehensive discussion of this model, see *"Integrating a Multichannel Strategy,"* SMART Partnering, December 2015

Figure 5 – Partner Integration Model

speaking clearly and forcefully to the role that partnering plays in corporate strategy. Management has to make partnering well a priority throughout the enterprise, include it in job descriptions and goal setting, and make appropriate resources available so that the organization develops and maintains the partnering everywhere capability it needs. Those who work at the edges of the enterprise, whether in upstream or downstream functions, should leverage partners as intended, learning to cross organizational boundaries in pursuit of creating, delivering, and capturing value for all concerned.

Any organization that intends to use partnering as a pillar of growth must bake it into strategy, embed it into operations, and execute it flawlessly.

Key Points to Take Away

1. Recent research has shown that business success is positively correlated with partnering well.
2. As partnering moves from one-to-one, hub-and-spoke models to an ecosystem focus, it is a time of experimentation. There is little guidance for companies to follow. Few are familiar with what to do. Fewer are prepared to execute.
3. Companies today must deploy a range of partnering models – from loosely coupled to tightly bound – often to satisfy a single set of customer needs or use case.
4. Partners can't be controlled – they can only be influenced. So design the partnering experience such that desired partners choose to partner with you and commit attention and resources to your mutual objectives.
5. Any organization that intends to use partnering as a pillar of growth must bake it into strategy, embed it into operations, and execute it flawlessly.

Three Questions to Ask Yourself

1. *Is your company – in every function and business unit and from executive suite to the field or lab – highly capable of partnering with external parties?*
2. *Is your company experimenting with new business models that recognize the primacy of the customer experience – and are your partnering arrangements aligned with those new models?*
3. *Is partnering well a management priority throughout your organization as reflected in behaviors that are rewarded, job descriptions, and goal setting?*

Design Principles for a Next Generation Partnering Capability

Partnering Capability Today

Companies typically have one of two approaches to the design of a partnering capability: 1) centralized or function/business unit-specific specialist groups; or 2) managing partners is just part of the job.

The specialists groups' responsibilities include developing partner strategy and engaging with relevant partners throughout the partnership lifecycle to maximize value and manage risk. Within this structure are more narrowly defined roles, such as business development, partner marketing, alliance management, channel management, and managing a partner program.

There can be multiple specialist groups within a company. Frequently, these groups operate independently of each other. In some companies, they are united through a corporate group or with a common center of excellence that prescribes certain processes, provides tools, and offers training. Theoretically, this arrangement creates institutional knowledge that survives any individual. Theoretically, common practice across the groups presents a single face to partners, achieves efficiencies, and maximizes value across the functions/business units. In practice, the groups still often work in silos. Lessons learned and even good process and practices frequently don't survive corporate reorganizations or leadership changes.

More prevalent is a failure to recognize that partner and alliance management is a specialized discipline. In many companies, it is assumed that any manager can work externally and manage partners as part of his or her job. It may or may not be acknowledged that these duties take time, effort, and skills. Goals, objectives, and rewards rarely include anything related to successful partnering. Results are very dependent on the individual involved.

And in a third group of companies, there is a total lack of recognition of the costs of failing to manage partners well – or the benefits that accrue from doing so. As a result, people interacting with external partners treat them as

vendors and resellers, failing to benefit from their knowledge and expertise, attempting to control them. Substandard business outcomes and a damaged reputation result.

As implemented, none of these designs supports a capability that can succeed now that partnering is everywhere.

The capability your company needs to partner everywhere is a function of how much it is externally oriented, as well as if it chooses to lead or otherwise orchestrate its prime ecosystem or simply focus on the get-to-market or go-to-market component.

Partnering Everywhere Capability Design

The capability your company needs to partner everywhere is a function of how much it is externally oriented, as well as if it chooses to lead or otherwise orchestrate its prime ecosystem or simply focus on the get-to-market or go-to-market component. For example, there are companies that focus on providing enabling technologies for drug development. Their ecosystem of partners is built around complementary technologies and services and the partners/customers who will use their technologies to develop, manufacture, and market the drugs.

Some companies focus on marketing and distributing products made by others. Their ecosystem consists of partners they can access products from, leverage for greater distribution, and those that provide value-added services to customers. The more prominent a company's external leadership position, the stronger a capability it needs. Keep in mind that while it is working within an ecosystem, it needs to ensure that each of its individual partner relationships is working effectively.

We've identified five design principles for a partnering everywhere capability. These design principles will help your company address the trends driving digital business transformation, position it to succeed, and not be one of the companies John Chambers fears will be left behind by the disruption of digital business transformation.

Principle 1: Close to the customer

A next generation partnering everywhere capability empowers the front lines – the scientific bench, engineers, contact center staff, the field sales force – that engage externally every day in pursuit of innovating, developing, and delivering value-creating solutions to customers. They have to be armed with an understanding of:

- Why your company is partnering with Company X; how the relationship fits into corporate strategy, ecosystem development, and business unit priorities

- Goals and objectives; roles and responsibilities; who does what and the limits on their authority
- Each party's expectations of and accountabilities to the other; how governance – especially decision-making – is managed
- Boundaries on disclosure – and more importantly, what must be shared
- Whom to go to within the partner for what; how communication flows, internally and with partners

If the collaboration is contained within a single business, function, or geographical unit there should be someone in that unit who explicitly has responsibility for the relationship. That could be a dedicated alliance manager. It could be someone who is a lead point person and also has other responsibilities. For more programmatic relationships, such as certifying compatibility of embedded technology, it could be someone who has responsibility for running the relevant program – which could be a primarily automated, self-serve program.

The advantages of managing these relationships close to the customer – in the business – are threefold:

- The manager has detailed knowledge of the business and thus has the ability to better understand the implications of changes within the ecosystem and individual partners' businesses
- The manager has a better opportunity to understand the customers and how the ecosystem interfaces with customers, which should result in a deeper understanding of what the partners need to be successful
- The manager is aligned with the business and can share accountability for concrete business unit goals

Managing relationships close to the customer – at the edge of the enterprise – ensures that the people and systems responsible for delivering value to the customer are prepared to do so and can adjust as needed.

Design principles of next generation partnering everywhere capability:

1. Close to the customer

2. One platform; many relationship types and partnering models

3. Align and integrate with the business

4. Governance guides operations

5. It is all in the execution

Principle 2: One platform; many relationship types and partnering models

As we've seen, within the ecosystem companies play different roles. Sometimes they are a customer, buying from you. Other times you are buying from them and sometimes you create joint solutions and perhaps go to market together. Companies can be core to a partner network that is addressing a use case; they can be complementary, or provide ancillary services. Additionally, you may be the orchestrator, leading solution development and a partner may lead solution delivery in go-to-market activities.

Different business and partnering models can be at play within a network addressing a single use case. There can be everything from traditional reseller and OEM royalty models to revenue sharing based on consumption, milestones for outcomes – the types of models are limited only by the creativity of the individuals putting the deal together! The key is to start with the value proposition to the customer and align the partnering models to that.

A word of caution, however. Some companies' financial systems may not accommodate new partnering models. They may not fit well into existing programs, contracts, and compensation models. They may even work at cross-purposes, threatening the status quo. Additionally, issues surface regarding ownership of data and product liability – especially when one or more partners is also a competitor, a condition that is increasingly prevalent.

Different partners need access to different resources. One may need an open API and technical specifications; another may need data from recent drug safety trials or data from quality testing of a connected device. Some may need a dedicated team of people working together with the partner, properly funded and with an executive sponsor. Others may be quite happy with the ability to get an answer through a rich-content website or brief chat with an expert. Partner marketing and sales enablement may or may not be required.

How do you make sense of this fluidity – and potential chaos? Specialist partner groups and programs trying to classify partners by "type," e.g., reseller, independent software vendor (ISV), academic partner, and so on, simply cannot. You could be developing a new product with either an ISV or an academic partner. Should a company with which you have multiple relationships be forced to participate in multiple partner programs? Quite simply, no. That sub-optimizes the relationship, and creates silos that prevent knowledge, insights, and resources from being leveraged. It also makes it really complex and hard for partners to do business with you. As a result, they may choose not to.

To design a partner experience that helps build affinity for your company, align the partner's role with the partner model. For example, a research or technology development partner that is working with you under an umbrella collaboration with multiple projects, compensated with milestones and royalties, has a different program than if that partner were working under a fee for service arrangement.

Companies that have a very large number of partners often further delineate certain partner types into tiers, describing their commitments to partners based on certain criteria that are the price of admission into a tier. The higher the tier, the greater commitment of resources (and therefore benefits/value to the partner) and greater expectations of the value partnering with this company offers. In a next generation partnering everywhere capability, the partner experience within each tier is designed with a clear goal of maximizing value for the customer, partner and your company, as well as the ecosystem overall.

Thus, the second principle of a partner everywhere capability is that it offers a single overarching umbrella program within which partners can find the right mix of benefits, services, models, and resources to fit the many ways in which they are partnering with you. This has been a trend among high-tech companies, including IBM, Cisco, and recently HPE (Hewlett Packard Enterprises). Other industries with a high degree of partnering, such as life sciences are managing partners at the edges of the enterprise, but other than making a web-based toolkit available and holding "alliance management community meetings," little has been done to truly build a partnering everywhere capability.

The key to successful implementation of this second principle is that while there will still be distinct personas for partners to access, all can be done through a single interface – be that automated self-service or high-touch human interaction. The breadth of activity with this partner will be known across business units. While that partner may not be as important in one activity or another, its overall relationship is respected and leveraged.

Principle 3: Align and integrate with the business

An explicit partnering strategy that aligns with and is baked into the company's overall corporate strategy and business unit, functional, and regional priorities is just the starting point. Partnering strategy provides direction on the roles the company intends to pursue and thus the roles partners play.

For example, a company that sees its strengths in customizing solutions for customers and efficiently scaling and implementing them may lead

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Roles are the key organizing principle in the ecosystem. Determining which roles your company is best suited for provides direction for ecosystem development. At which points in the value chain does it have the greatest leverage? Where is it weakest?

go-to-market activities. In this case, it will add core partners who are able to accumulate data-rich customer and market insights to customize the solutions, while surrounding itself with complementary and perhaps ancillary partners who can augment its reach and provide more cost-effective digitally enabled service and support.

Roles are the key organizing principle in the ecosystem. Determining which roles your company is best suited for provides direction for ecosystem development. At which points in the value chain does it have the greatest leverage? Where is it weakest?

Here is a challenge for your company: Move from customer to customer in a single day, and play a different role in each situation. Or be the lead in solution development, and remain involved in the go-to-market activities when in the past you might have simply conducted a transaction as the transition was made and washed your hands of it. How will you provide incremental value to ensure that your continued involvement is not just a transaction cost? You must develop the partnering agility to shift from role to role within different customer scenarios or within a single customer scenario. This can't be done unless partnering activity is fully aligned and integrated with the business.

Operational decisions – about how to work together to take the collective solution to market, how to deliver the intended customer experience and business outcomes – cannot be decided without the true customer focus that comes from being fully integrated with the business. These decisions include:

- How to build openness and transparency into your operations so that partners and internal stakeholders know what they need to know when they need to know it and can access the right stakeholders internally and within partners when they need it
- How to ensure readiness both internally and within the partners as you transition from development to deployment *(See Figure 5 – Partner Integration Model)*, accessing supporting functions so that transition points don't become time sinks and resource drains
- How partner selection and rules of engagement should be defined to manage coopetition within the ecosystem
- How to manage governance across executives, operations, and field; across multiple business units and functions; and with multiple partners

The decisions guide you on how to build out the ecosystem of partners that best allows your company to innovate and grow. Beyond this core focus, how else will your company direct its resources? Companies do well to take a portfolio approach – put a majority of resources into partners that will help generate immediate revenue and then spread the remainder over both slightly longer-term and more speculative investments. As the ecosystem develops, the capability must adapt.

Integrating partners at all relevant points along the get-to-market, go-to-market continuum requires aligning around how to deliver value to customers and capture it for the company and partners. This can be a challenge – even for organizations with a history of partnering and alliances.

Too often the mindset is that the partner is "the other" – a necessary evil. However, Newton's Third Law of Motion states: For every action, there is an equal and opposite reaction. Thus, not treating partners well or helping them succeed results in unwanted payback. This too, is reciprocity in action. Leadership has to dispel this view of partners as "others" and make it clear that the company can only succeed when it embraces the leverage, resources, knowledge, and capabilities its partners offer.

Not treating partners well or helping them succeed results in unwanted payback. Leadership has to dispel this behavior and make it clear that the company can only succeed when it embraces the leverage, resources, knowledge, and capabilities its partners offer.

Principle 4: Governance guides operations

The power to partner everywhere must be agile yet also stable. Everyone has to know how to engage partners that are already onboard, as well as how to introduce new ones when appropriate. An overarching governance process provides the mechanisms to allow partnering activity to flow freely, but it also interlocks with each function in each step of the get-to-market and go-to-market processes.

Governance provides a single point of entry into the ecosystem development "engine". The entry process should be proactive and reactive, ensuring the proposed partnering activity is aligned with strategy and business unit priorities. Importantly, proactive efforts include engaging with startups, not-for-profits, universities, incubators, business accelerators – anywhere someone might be pushing the envelope to solve a big problem or simply using the power of fourth industrial revolution technologies to do something better.

Thus, you should be engaging your corporate venture capital arm. Its investments signal how your ecosystem will need to develop. Also, many

scientific and technologically intensive companies are starting their own business accelerators – nurturing the startups creating the next wave of disruption. Don't overlook hack-a-thons and development contests. New partners come from unexpected places. Your ecosystem development process must provide these once-unlikely partners with an entry point into your ecosystem and partnering opportunities.

Potential partners are evaluated through a process that can range from online answering of a few qualifying questions to full due diligence. If the partner makes the initial cut, it either is appropriately enrolled in a standard partnering program, or more detailed and strategic negotiations ensue. The extent of the vetting is directly related to the role of the partner and nature of the partnering relationship. The more collaborative and tightly bound the relationship needs to be, the more thorough and comprehensive this upfront process will necessarily be.

An overarching governance process provides the mechanisms to allow partnering activity to flow freely, but it also interlocks with each function in each step of the get-to-market and go-to-market processes.

Once a core partner is onboard, the following routines work together so that activity flows seamlessly throughout the business model, from creating to delivering to, finally, capturing value:

- Planning the partnership and planning at an account or project level
- Partner enablement (technical and sales)
- Communications (flow within the partnership and more broadly)
- Rules of engagement, operating principles, and IP management
- Data capture, measurement, and reporting of objectives

The governance has to be robust enough to ensure that objectives are met for the customer, company, and all partners involved; that the partner experience, as well as the customers' is intentionally designed; that coopetition is managed; and that all principles of a partnering everywhere capability are followed regularly and consistently.

Governance has always been the backbone of managing operations. When partnering was hub-and-spoke, governance was typically considered only as it related to the management of a specific relationship. When partnering is done through an ecosystem, one has to consider the broader context, taking into account the contributions and expectations of partners, as well as the intended customer and partner experience. Governance enables a modicum

of control, but truly acts as an influencer, leading partners to act in the best interests of the ecosystem.

The fluid nature of partnering in ecosystems means a similar governance framework must exist across all relationships. Just as the evaluation of a potential partner is scaled based on the intended partnering model, the governance is also scaled. For ancillary partners, it could be fully automated and self-service. For core partners governance is implemented through a high-touch model that unites across the spectrum of develop, market, sell, deliver, service, and support. The following defines some of the core characteristics of a governance process capable of partnering everywhere:

- Focuses on individual relationships and ecosystem overall
- Controls access to the ecosystem – determines appropriate degree of openness and dynamism
- Manages multiple partner models and commits appropriate resources based on the model
- Influences participants to bring greater value to the ecosystem
- Measures engagement and other ecosystem-specific metrics

As much as possible, certainly with core partners, the governance process should be a two-way street. If you aren't providing value to your partners, and if they aren't getting value in the ecosystem, they will soon deprioritize any joint efforts.

Importantly, governance serves to unite executives with the business edge – the field or lab and all stakeholders in between. Also note an essential point that is often overlooked: Governance does not occur in a vacuum. There is a cadence of joint interactions to enable business development, planning, and evaluation that follow the mantra of "discuss, debate, decide." One party doesn't govern the other – together they govern the joint activity.

Governance does not occur in a vacuum. There is a cadence of joint interactions to enable business development, planning, and evaluation that follow the mantra of "discuss, debate, decide." One party doesn't govern the other – together they govern the joint activity.

Principle 5: It is all in the execution

The difference between the winners and losers is the ability to execute within the complexity of our hyper-connected business world. The winners leverage the core principles of partnering, but rewrite the rules to account

for the sheer number of partners, the speed enabled by technology, and the new ways of creating, delivering, and capturing value.

We've focused on how important it is to have a partnering capability at the edges of the business as well as embedded throughout the organization. A centralized strategic alliance/partnering function has a critical role to play in this transformation, too. It has the mandate to knit together the vertical silos across the organization to drive speed and accountability, as well as to unite executives with the field. Typically, this group is a corporate or global function. It reports into an executive who transcends business units, even if there are groups specific to business units with similar functional accountability. A good example of this type of function is corporate strategy and the strategy functions of individual business units. Or global marketing and regional marketing.

A centralized strategic alliance/partnering function has the mandate to knit together the vertical silos across the organization to drive speed and accountability, as well as to unite executives with the field.

This centralized group leverages resources, understands strategic implications of actions, and pays attention to the portfolio effect – where diversity of portfolio components (in this case the ecosystem) increases overall value, and loss of a single anchor partner can exponentially decrease the value of the whole. In a twist on the theory of portfolio effect, adding a single partner can decrease the value of the whole when bringing one partner into a specific use case precludes engaging with a competitor – or prevents those allied with the competitor from engaging with you.

This corporate or global group serves as a center of excellence for the partnering everywhere world, developing and managing the overarching governance process. It empowers those directly interfacing with partners in development and deployment activities, as well as those providing supporting functions, to optimize value *(See Figure 6 – Control/Influence Spheres)*.

This corporate or global group also assumes orchestration responsibility for major strategic alliances that cross business units, but the day-to-day work is done by people in the business units. They have autonomy. They report to the business unit, not the partnering function. However, the group has to have influence with the business units to ensure partners are engaged productively, in a way that fully leverages them in pursuit of the organizational strategy.

This corporate or global group is charged with ensuring the organizational capability to partner everywhere with the requisite mindset, skillset, and toolset to achieve strategic objectives exists and is appropriately deployed. It

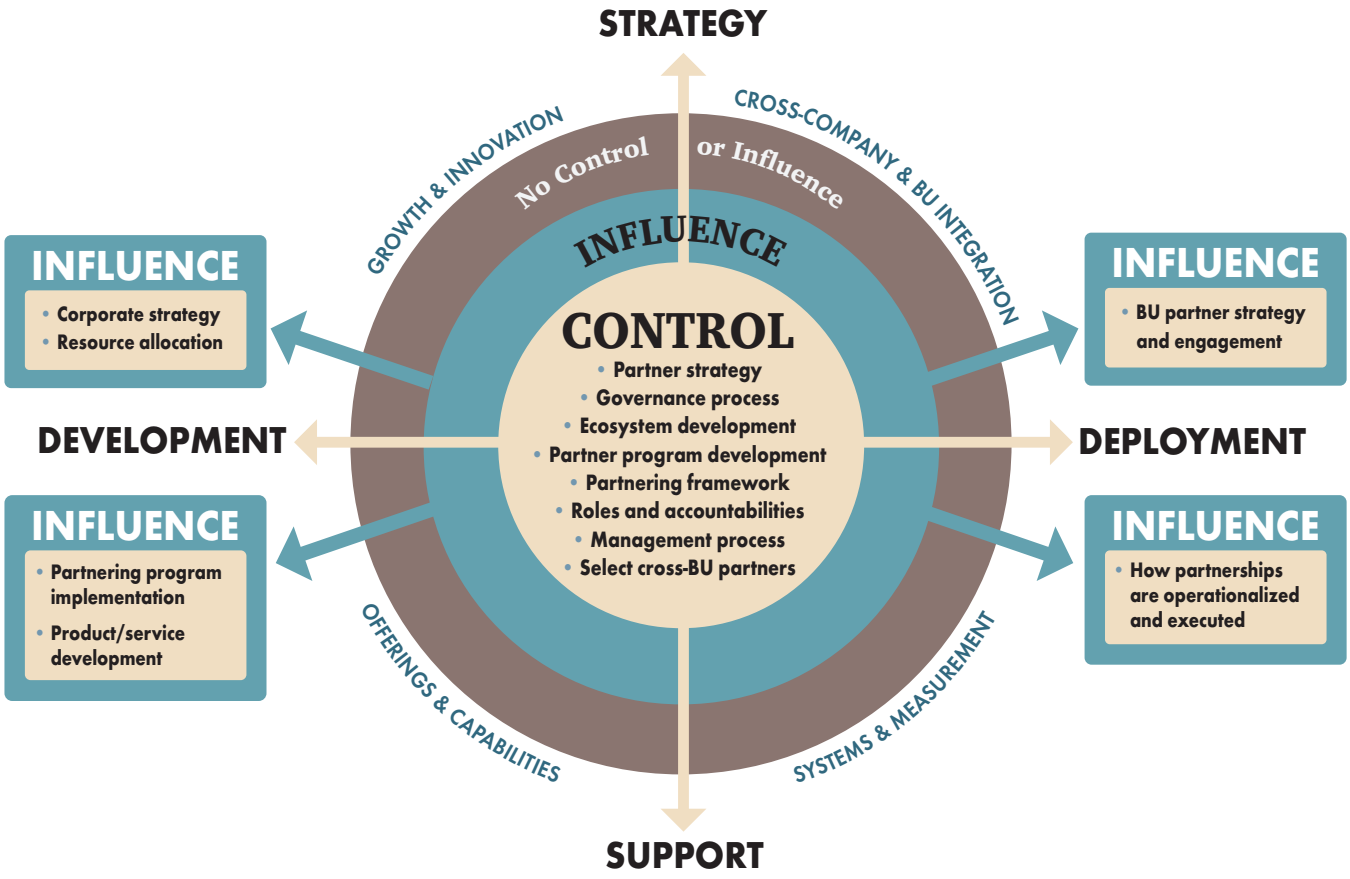

Figure 6 – Control/Influence Spheres

assembles the ecosystem that can develop and deliver required solutions. This means it has to work with senior leadership, line managers, and front line staff to create together a collaborative culture, one that recognizes its success is dependent on its partners' success.

At the edges of the enterprise – close to the customer – an "execution engine" is put in place through the consistent use of a partnering framework. This framework defines the elements that must be in place to ensure readiness to engage in either get-to-market or go-to-market activities within the ecosystem. Implementing the partner management process ensures that roles and responsibilities are clear, governance routines are carried out, decisions are made, and value created, delivered and captured.

Key Points to Take Away

1. **Design Principle Number 1: Close to the Customer:** Manage relationships close to the customer to ensure:
   - Detailed knowledge of the business and ability to better understand partners and the dynamics of the ecosystem
   - Better understanding of customers and thus what partners need to be successful
   - Stronger alignment with the business and shared accountability for concrete business unit goals
2. **Design Principle Number 2: One platform; many relationship types and partnering models:** A single partner can play many roles with different customer use cases and at different points in the get-to-market, go-to-market continuum. To manage this fluidity and complexity, a single, overarching umbrella partner program is becoming the preferred approach. This allows partners to find the right mix of benefits, services, models, and resources for each of the roles they may play.
3. **Design Principles Number 3: Align and integrate with the business:** Your company also will play different roles as it partners. Shifting from role to role cannot be done unless partnering is fully integrated into the business. Operational decisions that must be made include:
   - How to build appropriate levels of openness and transparency into operations
   - How to ensure readiness to transition from development (get-to-market) to deployment (go-to-market)
   - How to manage competition within the ecosystem
   - How to manage governance across executives, operations, and the field, as well as across multiple business units and functions with an ever-changing mix of partners

4. **Design Principle Number 4: Governance guides operations:** A robust, overarching governance process provides the mechanisms to allow partnering activity to flow freely. But governance also interlocks with each function in each step of the get-to-market and go-to-market processes to ensure transition points are stable, but managed with agility. The partnering everywhere governance process must be capable of:

   - Managing individual relationships and the ecosystem overall
   - Powering an "ecosystem development engine" through the right degree of openness and dynamism
   - Managing multiple partner models, committing appropriate resources, encouraging partners to bring greater value to the ecosystem, and measuring specific metrics that matter to the ecosystem

5. **Design Principles Number 5: It is all in the execution:** Success in executing a partnering everywhere capability in the ecosystem will improve with a centralized strategic alliances/partnering function charged with driving the transformation. It influences more than it controls, but controls core aspects of developing and deploying next generation partnering everywhere capability to edges of the organization.

Three Questions to Ask Yourself

1. *How is your company's partnering capability organized today: a) isolated specialist groups that may occasionally collaborate on training or processes; b) part of everyone's job, or c) partners aren't managed at all?*
2. *Do you have an ecosystem development engine in place to ensure your company has the right relationships with the right partners?*
3. *Does your partnering capability support partners who play different roles with different customers or at different points in the get-to-market, go-to-market continuum, and does it support the different roles your company plays?*

Transforming Partnering Capability

Creating a next generation partnering capability suitable for the speed, scale, and scope of this era is an ongoing process. It is a journey with visible milestones in each and every phase, implemented with a healthy dose of change management practice *(See Figure 7 – The Capability Journey)*.

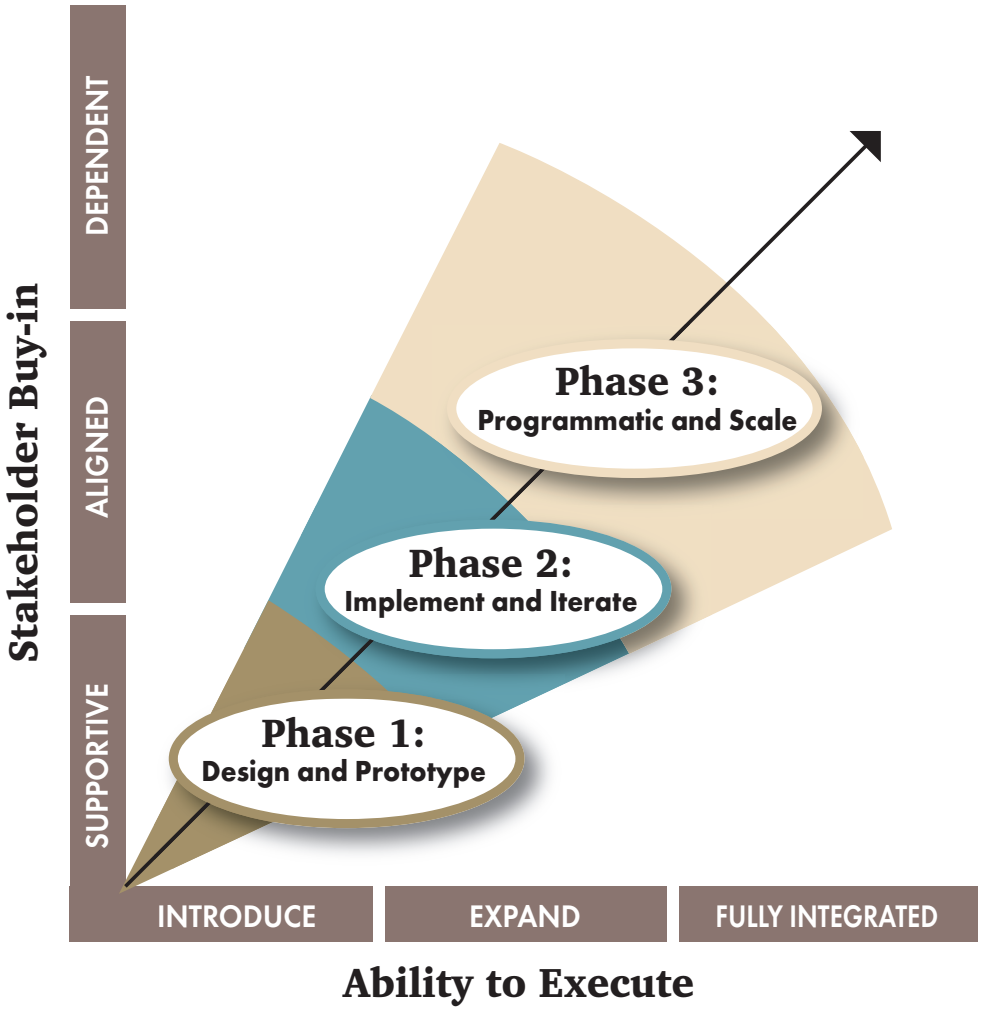

Figure 7 – The Capability Journey

Just as digital business transformation must be led by the executive suite, so too must the executive suite take the lead in developing the partnering capability it requires. It must be focused on execution and outcomes, cognizant of the

assumptions being made, and proactively collecting and evaluating data, so that assumptions can be validated or iterated.

As with any organizational change, you must focus on the strategies, the people (customers, partners, employees, and internal stakeholders), structures, processes, and measures. Be holistic, with each "project" contributing to building the mindset, skillset, and toolset required to achieve the company's objectives.

A dedicated and properly resourced team is required to guide the capability development. This team keeps the big picture in sight, ensuring that silos are united and functions are interconnected through the processes and information flows of the overarching governance. On the ground, the team's focus of course is communicating, communicating, communicating.

A next generation partnering everywhere capability must be focused on execution and outcomes, cognizant of the assumptions being made, and proactively collecting and evaluating data, so that assumptions can be validated or iterated.

Designing the Partnering Everywhere Capability

Begin with the end in mind. Gather information and data from partners, stakeholders, and experts about the desired future state of:

- The partner ecosystem and the development process through to onboarding partners
- The partner experience required to attract desirable partners and achieve objectives
- Internal stakeholders' experiences working with partners
- The overarching governance and functional interlock, including what occurs to keep momentum at key transition points
- The processes and tools to support get-to-market and go-to-market activities

You will also want to understand the customers and their needs, the business environment, and competitive landscape. Pay attention to who the disrupters are and how are they disrupting incumbents.

Hold this as your vision. But keep in mind it will iterate as you learn more.

Then understand what exists today in each of these five areas above. Determine the gaps. To understand which are the most critical – that is they could undermine the business's ability to transform the customer experience, the business model, or essential corporate processes – align with overall efforts of digital business transformation.

Where do you start? It could be aggressively recruiting a certain type of partner. It might be revamping the engagement process for working with the most strategic partners that have complex relationships with more than one business unit. It could be building uniform practice and upping the collaboration skill levels in a single business unit.

Once you have the right number of initiatives identified (this will be a function of criticality and resources available), develop a prototype to test the inherent assumptions (which you have specifically identified, determining the data you need to validate or invalidate them), gather that data, and iterate before you commit resources to build. Prototypes can be anything from a slide deck showing how you think something will be designed and built to acting out a process with a case study or role play.

You will then be ready to build out the processes, tools, artifacts, training, etc., implement your first projects, learn from them, and iterate your assumptions as required. Once you take onboard the learning from your initial projects, prepare to make your capability-building programmatic and scale as appropriate. Then, milestone by milestone, transform your partnering capability from a traditional, hub-and-spoke perspective, to a next generation partnering everywhere capability that enables your company to realize the transformational power of the fourth industrial revolution.

Key Points to Take Away

1. Just as digital business transformation must be led by the executive suite, so too must the executive suite take the lead in developing the partnering capability it requires.
2. Creating a next generation partnering everywhere capability is a three-phase journey:
   - Design and prototype
   - Implement and iterate
   - Make programmatic and scale
3. To design the capability, begin with the end in mind, building an outside-in perspective on what the capability must be. Start by developing specific initiatives to close gaps between current capability and capability needed to achieve critical milestones.
4. Identify core assumptions for each initiative, collect the data to validate or invalidate assumptions, and iterate as required.

Three Questions to Ask Yourself

1. *Is your executive suite ready to lead the partnering transformation that must occur in lockstep with your overall business transformation?*
2. *Will your organization commit the resources required for this significant organizational development and change initiative?*
3. *Are you ready for the transformation journey to realize the benefits of the fourth industrial revolution?*

The economic value the technologies of the fourth industrial revolution are expected to produce is huge. None of it is possible unless we focus on developing the ability to partner in the ecosystem and at the edge of the enterprise so that all employees are empowered and enabled.

Go For the Gold

The economic value the technologies of the fourth industrial revolution are expected to produce is huge – as much as $11 trillion per year for the Internet of Things alone.[8] It is a critical technology, but only one of many that are causing the blurring of company boundaries, reshaping industries, and upending business models.

This is great and as businesspeople we applaud and want to reap the economic benefits. In the words of Klaus Schwab, founder and executive chairman of the World Economic Forum:

> *We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. Like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and the quality of life for populations around the world.*[9]

We have to ensure we have the capability to partner to bring about those quality-of-life benefits. Jonathan Ballon, vice president and general manager, Intel Internet of Things Group, spoke to the Association of Strategic Alliance Professionals 2016 Global Alliance Summit about an Internet of Things implementation in Malaysian rice paddies:

> *Yields doubled, stabilizing prices. Water use declined by 10%, even with increased output.*

This is an outcome brought about by a partner network of at least seven entities assembled for this use case and situation.[10]

None of this is possible unless we focus on developing the ability to partner in the ecosystem and build partnering capability across and at the edge of the enterprise so that all employees are empowered and enabled. As Lynn Doughtie, US chairman and CEO of KPMG, said in an interview about the firm's U.S. CEO Outlook 2016,

> *We're still in the early days as organizations build a discipline around how to manage these ecosystems. And I use the word discipline intentionally because you have to develop and implement a strong program for this.*[11]

Therein lies the path to gold.

[8] McKinsey Global Institute, *Unlocking the Potential of the Internet of Things,* June 2015

[9] World Economic Forum, "The Fourth Industrial Revolution: what is means, how to respond," January 2016

[10] "ASAP Summit Conference Keynote Summary Partnering: The Connective Tissue of the Internet of Things," Association of Strategic Alliance Professionals, March 2016 (sponsored by and commentary provided by SMART Partnering)

[11] "KPMG's Lynn Doughtie On The Role of Innovation And Collaboration In The Age of Convergence," *Forbes Insight,* October 3, 2016

About the SMART Partnering Alliance

SMART Partnering is an alliance of partnering experts delivering executive suite-sponsored, enterprise wide solutions to build next generation partnering everywhere capability to realize the value of digital business transformation and connected ecosystems.

Formed in 2013 by Atlanta-based Alliancesphere and Boston-based The Rhythm of Business, its combined methodology integrates partnering into strategy development, resource allocation, and strategy execution.

With each firm bringing nearly 20 years of operational, consulting, and academic experience as pioneers in multi-industry partnering across the value chain, within ecosystems, and around the globe, the partners have combined forces to guide global companies to realize partnering gold in the gray of transformation.

Offering repeatable methodologies, groundbreaking measurement frameworks developed specifically for the intangible value of partnering, and customized action learning to engage both senior executives and the next generation, the SMART Partnering Alliance offers an unmatched depth and breadth of expertise to help companies reject the status quo and realize breakthrough success in their partnering efforts.

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