In the disrupted world, partnering is more challenging—and more crucial—than ever before. Leaders today must guide their organizations through a metamorphosing business landscape where risk and uncertainty are rising, reward is more incremental and elusive, and value is created collaboratively. New research shows that partnering success rates improve and risk reduces when companies use the strategies, leadership, governance, operational processes, and other capabilities delivered by professional alliance management. Now, to prosper amidst disruption, the entire enterprise must build alliance capability. Here’s why partnering practitioners and collaboration-savvy executives must transform alliance management into organizational capability—and lead the way through the tectonic shifts of business.
Disruption proceeds apace in 2015—continental plates continue to collide everywhere in business. In partnering and alliance management, three tectonic shifts have occurred. The landscape both within and outside of the alliance management function will never be the same.

One, Partnering isn’t just on the leadership agenda—it increasingly sets the agenda. That’s because, Leaders today must guide their organizations through a metamorphosing business landscape where risk and uncertainty are rising, reward is more incremental and elusive, and value is created collaboratively.

Two, both research and field results indisputably demonstrate that partnering pays off—and that alliance management makes partnering pay off more consistently and dramatically. Three, as organizations build alliance capability, alliance management is (or must become) an enterprise-wide leadership role.

ONE: Partnering isn’t just on the leadership agenda—it increasingly sets the agenda.

Leaders today embrace partnering as never before. PwC’s 2015 survey of CEOs found that 51 percent plan to enter into new strategic alliances or joint ventures in the next year, up from 44 percent last year.

Take John Maraganore, CEO of Alnylam, who keynoted at the September 2014 ASAP BioPharma Conference in Boston. A pioneering developer of RNA interference (RNAi) therapies, Alnylam forged a global multi-year alliance with Sanofi-owned Genzyme in January of 2014. “Our deal with Genzyme took our balance sheet from $325 million to over $1 billion. It transformed our balance sheet, giving us financial independence all the way to becoming profitable,” Maraganore says. “More than the money, we were convinced that working with Genzyme would increase the pie.”

Outside the more partnering-focused biopharma and high-tech industries, powerful but slower-moving giants have no choice but to bring partnering into their core.

“As disruptive technology takes hold, companies not used to partnering together are forced to do so, and it’s up to alliance managers to forge these alliances as leaders and define the swim lanes between companies,” says Tony DeSpirito, CSAP, vice president of global alliances at Schneider Electric. “We are being forced to partner with folks that own the digital world.” Historically, “alliance is not core to the strategy of Schneider,” but in response to disruption, the $30 billion French energy giant has added an alliance executive to the corporate executive committee.

Similar examples abound in insurance and financial services, transportation and aerospace, telecommunications, manufacturing and retail, among
many industries. Partnering trends manifest across sectors too, as governments, educators and researchers, nonprofits, and citizens groups join with the business sector in all sorts of value-creating and problem-solving endeavors involving health, climate, energy, and other areas. Especially vibrant collaborations are occurring on the local level, the focus of ASAP’s June 12, 2015 Smart Cities–Create Smart Alliances event in Brussels.

TWO: Both research and field results are indisputable: Partnering pays off—and alliance management makes partnering pay off more consistently and dramatically.

Why, increasingly, does partnering set the leadership agenda? Because leaders like Maraganore now recognize and quantify the results (and accelerated time to value) that partnering delivers.

“External partnering—it’s a multiplier effect on the balance sheet,” enthuses Anthony Bartolo, the Singapore-based president of unified communications and collaboration at Tata Communications, a $3.2 billion public company and the telecom flagship of India’s $100 billion Tata Group. “I spend a significant amount on R&D. If someone else has built something, and I can leverage and add another dimension such as go to market, [then] I believe that partnering is the way to go. That’s what we’ve done. We’ve delivered 67% more new product entries in the last 18 months than in the previous two years. That’s the statistic for taking on this kind of attitude towards partnering.”

Indeed, the latest research shows that alliances increase competitiveness and accelerate time to market. Moreover, partnering success rates appear to have jumped dramatically. That’s thanks in significant part to the proliferation of alliance management practice—and the profession’s success educating the C-suite and engaging the rank-and-file of their increasingly partnering-savvy companies. These are some of the separate but congruent findings of two recent research projects—one just published by Vantage Partners, the other sponsored by ASAP and conducted by David Luvison, CSAP, affiliate assistant professor at the Sellinger School of Business and Management at Loyola University Maryland, Ard-Pieter de Man, CSAP, dean at the interuniversity research center Sioo in Utrecht, Netherlands, and professor at VU University in Amsterdam, and Keith Gaylord, CEO and founder of Partner to Profit.

Let’s start with falling failure rates. In The Fourth State of Alliance Management Survey, completed three years ago, ASAP members reported a 49 percent failure rate for their companies’ portfolios of alliances. Other studies have reported alliance failure rates of 60 percent. Luvison, de Man, and Gaylord’s research (which, when complete, will be published as ASAP’s Fifth State of Alliance Management Survey) asked respondents about a single, focal alliance, rather than the entire portfolio. Now, only about 33 percent of ASAP member’s focal alliances are not meeting expectations. Vantage asked respondents about all of their alliances, not just one, but similarly discovered that one-third of respondents’ alliances are “losing value due to execution challenges,” and remarkably, only about one in five alliances is considered an outright failure. Both surveys found similar alliance success and failure rates across industries.

The upside findings? More than two out of every three professionally managed alliances are now “meeting or exceeding expectations,” Luvison says. Luvison, de Man, and Gaylord’s survey of ASAP members had 142 respondents, 76 percent from companies with revenues exceeding $1 billion. Vantage, taking a different slice of similar findings, reported that fully 81 percent of alliances are considered partially or completely successful. Surveying 493 respondents from more than 230 companies, Vantage also found that:

- Seventy-two percent consider alliances “very important” or “mission-critical” to their organizations.
- Nearly two-thirds of companies have more alliances than five years ago.
- Eighty-two percent of respondents
report effective alliance management “substantially increases the likelihood of” or “is essential to” successful alliance execution.

THREE: As organizations build alliance capability, alliance management is (or must become) an enterprise-wide leadership role.

Alliance management is no longer just a departmental function charged with managing the companies’ most strategic relationships. It is now morphing (in partnering-driven companies) into an enterprise-wide leadership function focused strategically on partner ecosystems and portfolios and operationally on engaging and guiding stakeholders at every level to manage increasingly integrated, complex, and diverse forms of collaborative relationships.

This means that today, alliance leaders’ mission must be “creating an organization with an operating model focused on alliance execution”—what Stuart Kliman, CA-AM, partner and head of the alliances practice at Vantage Partners, calls “the alliance-capable organization.” This transformation not only makes the organization more responsive, but also reduces the friction between alliance management and the overall organization’s processes and culture. “Alliance managers and the alliance management function can spend a lot of time swimming upstream—trying to make their alliances work in the face of organizations that pull in a different direction or have not been designed with alliances in mind,” Kliman explains.

NetApp, a Fortune 500 storage and data management provider, has made partnering central to its company strategy. “We’re a billion-dollar enterprise storage company,” says Maria Olson, vice president of global alliances at NetApp. “We have an extensive ecosystem of partners—OEMs, services providers, and others—and we don’t view them at arm’s length, but rather view them as the core of what NetApp does.”

Ron Long, head of multi-alliance go-to-market at NetApp, describes the four major pillars of his company’s alliance-capable management approach. The strategy pillar is “a three- to five-year planning cycle” that occurs at the C-suite level—in particular involving the chief strategy, technology, and information officers. “The next pillar involves your offerings—deciding what you make, what your portfolio of partners brings, and what your company’s big bets are.” The third pillar is your operations framework—how do you plan and manage partnering and ensure you’ve engaged all critical stakeholders. “Planning goes across all functional areas,” Long notes. “In our company, product, marketing, alliances, and the field organizations all must vote.” And field execution is the fourth pillar—it’s how you go to market together and deliver the results that your company and your partners expect.

Success Rates and Alliance Management Capability

The research studies conducted by Vantage and by Luvison, de Man, and Gaylord not only indicate improving alliance success rates, but also hone in on the key factors and challenges that influence success and failure. Their findings indicate where and how professional alliance management plays a crucial role. Success rates improve when alliance management is consistently and thoroughly practiced. Success is even greater when alliance management capability manifests as organizational capability—with collaborative culture, full stakeholder engagement, and highly aligned processes focused on delivering customer value.

Vantage uses a four-stage “alliance maturity model” to assess companies’ alliance capability (and capability gaps), focusing on six critical components:

1. **Strategic importance and operating model of alliances.** Mature organizations consider alliances essential to success—and operate accordingly.

2. **Alliance management mission and focus.** Mature partnering companies
manage alliances holistically, as a portfolio.

3. **Structure.** Alliance management is a formal, established, and influential function.

4. **Process and tools.** These also are formal, based on proven practice, and consistently used.

5. **People and culture.** Partnering is in the company’s DNA and supported organization-wide.

6. **Reputation.** The company is a “partner of choice” known for alliance management excellence.

Testing this model in its recent research, Vantage finds that “companies with the greatest alliance management maturity succeed more and fail less, while companies with the least alliance management maturity succeed less and fail more.” Intuition might tell you this is obvious, but how do you prove it? Looking at Vantage’s data, the differences appear stark: companies with immature partnering capability fully achieve their alliance objectives only 28 percent of the time, while mature practitioners report fully achieving objectives 50 percent of the time. Immature practitioners lost 40 percent of value due to alliance challenges, while mature ones lost only 20 percent of value.

Both the Luvison, de Man and Gaylord study as well as Vantage’s survey seek to deepen our understanding of root causes of alliance successes and failures—and thereby identify levers for further improvement. Vantage identifies six key causes of alliance failure and measures the frequency of each across seven industries. Setting aside external factors outside of any partner’s control (on average, 24 percent of alliance failures), challenges during execution are cited as the most frequent causes (27 percent) when alliances fail to meet objectives. The impact of execution challenges is costly, resulting in an average loss of 32 percent of alliances’ potential value.

Luvison presented preliminary findings at the March 2015 ASAP Global Alliance Summit and will be joined by Gaylord, a former IBM alliance executive, to share additional data and analysis in ASAP’s forthcoming Wednesday, Aug. 5 Netcast Webinar. Digging deeper into their data, Luvison and his colleagues drill into three key questions linked to alliance success rates:

1. **Are we using the right processes?**
   “We wanted to know whether formal versus informal processes mattered,” Luvison explains. Indeed it does. “The more formal the approval of plans and the more formal the dissemination of plans, the better the performance,” he says. Findings also indicate that “more effort needs to be devoted to executing the entire process.”

2. **Do we have the right people involved?**
   Alliances perform better when they are considered more important by the company, when decisions are made and implemented at higher levels in the organization, and when plans are jointly developed with partners, the researchers found.

3. **Are our processes too different from non-alliance processes?**
   Fifty-four percent of respondents say their alliance processes differ from organizational processes. That poses significant challenges that can only be overcome when alliance processes are aligned with non-alliance business processes.

Vantage’s findings underscore the impact of this misalignment. The highest-ranked cause of alliance execution challenges, according to its survey respondents? “Internal operating models do not reflect the importance of external partnering.”

**Building Enterprise-Wide Alliance Capability**

The need to align alliance and non-alliance processes begs a crucial question: If our ultimate goal is to build what Kliman calls the “alliance-capable enterprise,” how much should alliance processes adapt to the organization—and how much should the organization adapt to alliance processes? In
practice, of course, the answer is some of each. Alliance management must speak the language of the business—but as partnering proliferates, and the overall business becomes partnering-driven, other stakeholders also must understand unique yet crucial aspects of partnering.

Nancy Breiman, CSAP, understands this balancing act well. She manages the joint solution and business development for IBM’s alliance with Cisco—one of the company’s Top 10 alliances at more than $1 billion in annual revenues. “We are very fortunate, because the senior executive that runs our business came out of the line of business and absolutely insists we use the same planning process—so we are extremely interlocked.” Tight alignment with the line of business means her alliance revenues are closely tracked as a key performance indicator.

However, while it’s great to be able to show results on the bottom line, “I don’t necessarily think it’s the best indicator because revenue is a lagging indicator,” Breiman says. Alliance management also provides leading indicators that are critical to successfully navigating disruption. Otherwise, she explains, “You can get blindsided because you’re not looking at the future horizon.”

In a fundamental sense, “alliance managers are a Band-Aid on the challenge of businesses that are not designed with alliances in mind,” Kliman argues. “If we really want alliances to work better, we have to create the context so they can.” He urges alliance leaders to create a data-driven platform for transforming the organization, “making the operating model more supportive of the execution of alliances” and ingraining alliances and collaboration into your company’s people and culture.

Building the “alliance-capable organization,” in effect, means you are building the “disruption-capable organization.” Nowhere is that more apparent than in the high-tech industry. We talk about technology as the disruptor, but tech companies are also very much the disrupted, due to the speed of change and to extraordinary shifts in customer behavior.

NetApp addresses this challenge head-on through partnering—but traditional alliances are not responsive enough because two companies alone can’t deliver the time-to-value that the market demands. Focusing on the converged infrastructure space—growing at 40.3 percent currently—NetApp and longtime partner Cisco now routinely join forces in multi-alliances with technology and systems integrator companies such as Oracle, SAP, Microsoft, Accenture, VMWare, Wipro, Infosys and others—as well as some 900 joint channel partners—to deliver more than 100 variants of the Cisco-NetApp FlexPod converged infrastructure solution. The partner mix changes depending on industry and customers, “and we can unbundle and rebundle solutions with different integrators” to meet customers’ unique expectations, according to Olson.

The payoff for NetApp, Cisco, and their multi-alliance partners? Just like Tata’s Bartolo, Olson and Long describe it as “the multiplier effect.” Five thousand FlexPod customers in 100 countries, $3 billion in sales to date, and 100 percent year-over-year growth for their multi-alliance-driven FlexPod solutions.

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