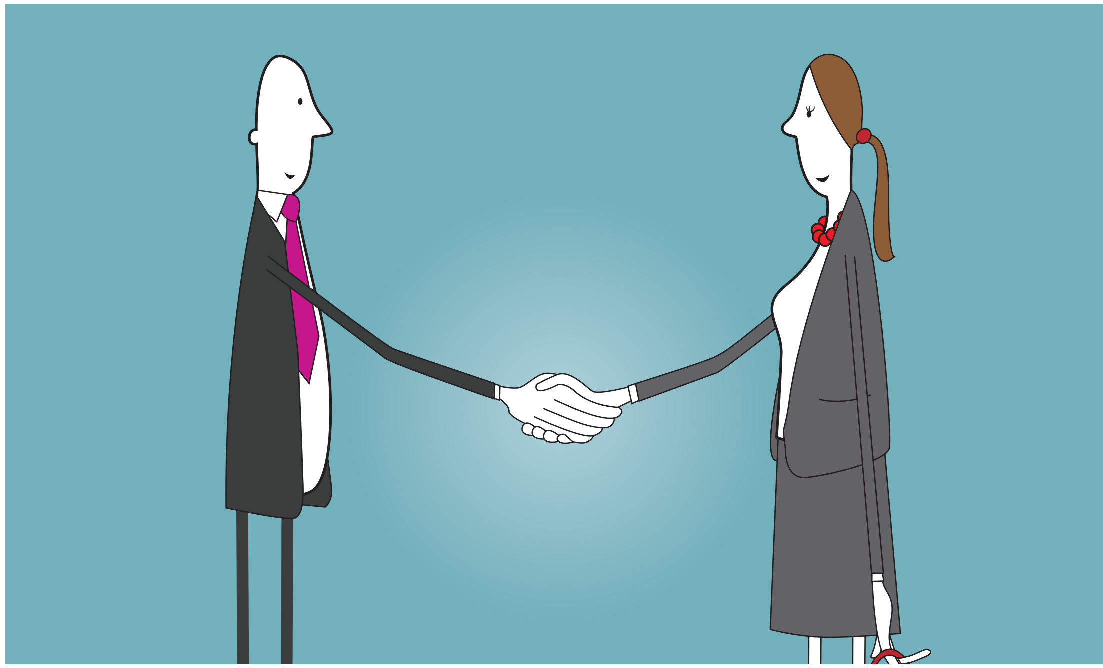
BY BOB BARKER



SELF-FUELING PARTNERSHIPS

How to Align the 4 Areas Needed to Create Mutually Beneficial Ventures

In this new wave of technology, you can't do it all yourself; you have to form alliances.
-Carlos Slim Helu

"Partnerships are a waste of time." It's hard to find a CEO who doesn't regret having pulled the trigger on at least one failed partnership. While strategic relationships hold the promise of growth, they are potentially dangerous. At the least, a failed partnership derails resources that could drive organic growth; at its worst, it delays entry into new markets and wreaks havoc with revenue plans.

On the other hand, many companies have leveraged well-executed partnerships that accelerate growth, leading to levels of success otherwise impossible. The best are what I term "self-fueling": *A self-fueling partnership is structured so that positive results for the first party drives it to act in ways that increase positive results for the second party, and vice versa.*

What are the drivers of such a partnership? What circumstances dictate pursuing one? And what are the characteristics of fruitful and long-lasting partnerships? To create a self-fueling partnership, four areas have to align: positioning, circumstances, motivation, and attitude.

The Right Positioning

Driving without a map may be an adventure, but reaching the target destination is unlikely. To achieve positive results, technology partnerships must fit into the context of a clear mapping of the company's current positioning and future direction. Clarity about the markets the company addresses, the uniqueness of its offerings,

and its strengths and weaknesses must be established first to gain leverage through partnering. Without a handle on positioning, partnering will fail.

The Right Circumstances

Partnerships are like other business endeavors: timing is everything. The potential impact of market opportunities and threats, together with the company's ability to respond to them, are circumstances that dictate the appropriateness of partnering. The chart below depicts the four permutations of these circumstances and the proper actions dictated by them:

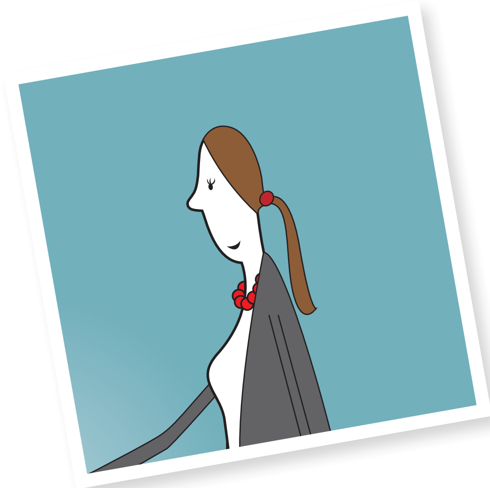
1. high impact /weak ability to respond,
2. high impact /strong ability to respond,
3. low impact /weak ability to respond, and
4. low impact /strong ability to respond.

CURRENT ABILITY TO RESPOND

POTENTIAL IMPACT (THREAT OPPORTUNITY)

	WEAK	STRONG
HIGH	• Quick responses needed • Build strategic alliances • Acquire, license or outsource capabilities Create Partnerships	• Respond organically • All-out frontal attack • Laser-like focus Pursue Aggressively
LOW	• Postpone short-term action • Watch out for red flags • Plan to invest in capabilities or build alliances if impact increases Prepare to Respond	• Leverage strengths • Differentiate offerings • Seek consolidation opportunities • Attack / acquire competitors Make Quick Hits

SELF-FUELING PARTNERSHIPS DEPEND ON FINDING COMPLEMENTARY ANSWERS TO THE "WHAT'S IN IT FOR ME" QUESTION



When the impact of a threat or opportunity is high and the company's current ability to respond is weak, it's time to pursue a partnership or an acquisition. While it may be tempting to wait until a year from now when the company is better equipped to respond, markets don't wait. Recognize when it's better to partner rather than attempting an organic response.

The Right Motivation

Years ago a wise mentor told me to ask three questions from the point of view of potential partners:

(1)What's in it for me? (2) What's in it for me? And finally, (3) What's in it for me?

The most challenging and important step in partnering is grasping the motivations of target partners. Identify key objectives the potential partner hopes to achieve. Self-fueling partnerships depend on finding complementary answers to the "what's in it for me" question for both parties, and they are typically driven by the desire to achieve one or more of the following objectives:

1. Add products and technology to address evolving customer needs with new and enhanced products.
2. Accelerate revenue growth by expanding the customer base to include underpenetrated areas where the partner has a presence.
3. Enter a new market or industry by leveraging a partner's existing presence in specific domains or geographies.
4. Service more customers faster than organic growth allows by augmenting implementation resources with the partner's services staff.
5. Enhance and grow brand recognition through association with a high-profile market leader.

Early in my career, Novell and IBM created a partnership. Their market needs were clearly complementary: Novell had the leading LAN software and wanted to penetrate the IT department of Fortune 1000 companies; IBM had deep relationships with CIOs of Fortune 1000 enterprises and no LAN software to sell them. In a highly successful partnership, IBM rebranded Novell's software, then sold it into their base and generated hundreds of millions in incremental revenue for both companies. The partnership enabled IBM to address objective 1, while Novell accomplished objectives 2, 4, and 5.

The Right Attitude

Linking positive outcomes for each company creates an upward spiral that encourages increasing levels of participation:

1. Clearly identify each potential partner's interests. Ask representatives of each party to define the other's interests. The ensuing discussion will uncover the points of partnership.
2. Test the initial structure of the partnership. Discuss potential market scenarios and assess the impact on each company and the associated impact on the partnership.
3. Build the partnership by focusing on the other party's ability to achieve their goals. Without focusing on the other company needs in advance, the partnership won't last.
4. Arrange mutual monetary and other forms of compensation so that both parties want to participate more. Ensuring positive outcomes for both parties enhances the likelihood of success.

Benefits of Self-Fueling Partnerships

Some obvious and some not so obvious benefits derive from self-fueling partnerships. Paramount is that they not only work, they last. The life of a partnership should be limited only by the duration of the market opportunity. Without a well-crafted partnership, a joint initiative will die before the market opportunity is exhausted, and it may die shortly after the launch.

While a self-fueling partnership requires dedicated resources to manage it, the total time required is minimized. The reinforcing nature of the relationship promotes cooperation, and as the partnership advances, trust grows and additional growth opportunities may arise.

The fruits of a self-fueling partnership multiply. As long-term trust builds, the potential for an M&A event often emerges. A strong partnership can be the catalyst to accelerated valuation. Isn't growing valuation a primary focus of every CEO?

For 30 years, Bob Barker was a software industry senior executive who created partnerships, formulated product strategy, and executed acquisitions for billion-dollar companies and startups. As a trusted CEO advisor with 20/20 Outlook LLC, he creates breakout strategies for visionary CEOs.