



Partnership Development for Solution Providers

How to make partnerships work for your business

Partnership: (n) A relationship between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal.

– Dictionary.com

Why partnerships will become increasingly more important

Delivering a “complete” technology solution is becoming increasingly more complex. Hiring specialized talent, obtaining certifications, negotiating special bid processes, and wading through the myriad of design and ordering procedures is enough to make a larger company choke, much less a smaller one with far fewer resources. Especially for the hardware-centric solution provider, as technology becomes increasingly more advanced, the solutions your clients require also increase in complexity. The result is far more “niche” solution providers in recent years. Successful businesses understand they can’t be all things to all people. The evolution has spawned a variety of hybrid solution providers and new business models altogether. Companies specialize in storage, security, IP telephony, applications, managed or application services, etc.

Key factors challenging “all things to all people” delivery

- Expert level of knowledge in “core” technologies (hiring and certifications)
- Knowledge across a greater breadth of technologies
- Intimate understanding of client business processes, increasingly industry-specific
- Providing value to clients while coordinating more moving parts
- Increasingly distributed client environments (telecommuters, distance learning, etc.)
- Global and company specific “security” issues
- Temptation of client support outside of core competencies (especially in tertiary markets)

Successful solutions providers are acutely aware of their client base as well as core deliverables. The primary goal of a solution provider in the SMB market is to become the trusted advisor for your client in the technology arena. However, specialization versus long term client retention (trusted advisorship) certainly creates a dichotomy. On the one hand, you would like to solve any and all client problems, however, the specialization model can leave you “at risk” to competing companies or technologies with real or perceived value-add.

The solution is to do what large public corporations do to generate 35% of their company revenue. They develop strategic partnership and alliances. More and more, whether it’s multiple fast food offerings available from one store front or a movie advertisement on the back of a parking receipt, companies are partnering for marketing and servicing clients. Studies also show that one of the most successful growth strategies is through “adjacencies”. Adjacencies for the solution provider may be other partners or companies that sell into your client base.

Consider for a moment other solution providers who offer the complimentary services your clients need. In many cases, you have worked long and hard to build trust with your clients. Most owners don't want to lose those relationships, so you sometimes take on work you probably shouldn't. Traditionally, the failure of consultants (and that's what a solution provider has become), is to do good work. They then take on work from the same client outside their core competency, and do a poor job. They've just burned the goodwill and abruptly soured a potentially long standing relationship. On the other hand, seasoned consultants will readily advise clients of the work they can do and work they can't, often making referrals to other trusted resources. Developing strong strategic partnerships as a solution provider is critical to your long term success in the marketplace. But it does require a shift in mind set and a differentiated sales approach that considers "all client service delivery options" and the incentive to execute.

Why most partnerships don't work

Developing partnerships takes work and mutual commitment. Many have tried, but few succeed. In most cases, neither company is prepared for a partnership commitment. Having a clear, communicated strategy for initiating the partnership and managing the process from start to finish is required.

Partnership Research Highlights:

- Only 31% will last outright*
- Only 2% of partnerships survive more than four years*
- Only 30% will survive but not reach satisfactory objectives**
- Less than 25% will be deemed successful by the executives measuring results**

* Arthur D Little** Accenture

Reasons partnerships and alliances fail

- Lack of clarity on the definition of a good partner
- Lack of written documentation for partnership goals and objectives
- Perception of skill levels (perceived higher than they actually are)
- Tunnel vision for driving revenue vs. solving a customer's problem
- Engaging with the wrong partner
- Staying intimately involved in projects that are not core to your business
- Passive versus active role in relationship
- Lack of sufficient sales incentive (upside)
- Trying to land the big one before developing a trusted relationship with your partner

Choosing the right partner

Choosing the right partner is extremely important for your business and client. The solution provider business has been involved in partnering since the reseller came into being in the late 1970's. The first partner was the vendor whose products you resold. In the past few decades, solution providers have started to partner in many different

ways. Some solution providers in recent years have pursued their own channel strategies, to sell their offerings to you and your clients. Few have been as productive as they might have been. Quite often, they don't have a sound knowledge of partnerships and alliances under their belts.



The chart on the left outlines reasons for partnering up and down the food chain. You partner with companies up the food chain, typically vendors, to expand your offering, and gain marketing, product and sales support. You can also partner with companies like yours. Typically you will partner with similar companies to complete a solution, enhance your value proposition to your client or expand distribution into another territory. And finally you will partner with companies further down the food chain to increase demand and potentially reduce your cost of sales.

Choosing the right partner for the right situation is not always clear, especially as technology becomes more and more complex. Understand clearly what you need from a partnership and what type of company you need to partner

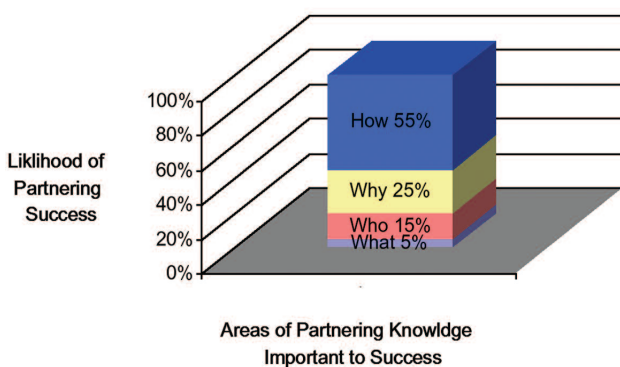
with. While strides have been made in terms of vendor locators from manufacturers and distributors, you will always need to do your own real time homework. Tap industry relationships, consultants, local relationships and other mentors to locate resources for you.

Core vs. Non-Core Solutions

It's vital to understand when to lead a project and when to let another company take the reins. Most entrepreneurs like control, so handing off a big project to a partner can be challenging, but there are times that it needs to happen. Each business must realistically define what is core to your business, including the people, technologies and solutions that you control with your clients. As you identify opportunity within one of your clients or prospects, define whether it is core or non-core and identify the right resource to work with.

Making partnerships work for your business

Knowing "how", "who", "why" and "what" to partner on is a key component to success.



The chart to the left outlines the four critical elements of partnering; "what" you partner for, "who" you partner with, "why" you partner with them and finally, "how" you manage the client via another partner. As you can see, the "what", "who" and "why" are only 45% of the solution, yet this is where the majority of managements time is focused. Success in partnering is most importantly in the "how." Once the partnership is selected, the real work starts!

The "how" starts with having solid criteria for what a good partner looks like. You need selection criteria for partner and alliance selection or your success record will suffer.

10 keys to developing a solid partnership:

1. Create pre-defined selection criteria complete with “must haves” and rank opportunities accordingly and consistently across your organization
2. Work with partners who score high against your defined qualification criteria (get the “who” right) – conduct due diligence with mutual clients
3. Define alliance success objectives up front – secure leadership-level support
4. Determine realistic alliance requirements (leads, service level agreements, points of contact, etc.)
5. Define acceptable success metrics, milestones and progress communication schedules
6. Secure cross-functional commitment – define roles & responsibilities and deliverables across both organizations
7. Develop mutual customer value proposition, business objectives, and plans with partners
8. Fund and implement appropriate operational infrastructure
9. Measure performance of every partner, and your organization, at regular intervals to keep resources applied in the right relationships
10. Make an investment! Something for nothing usually carries little value – as does “hand shake” partnerships where little effort is offered, yet much is expected

Developing Compensation Plan

Simple is better. The more successful partnership agreements have clarity of compensation in their partnering strategy. Here’s a simple example that works in practice:

Option 1: You introduce an opportunity to a partner and they handle the sale and implementation; 15% to you and 85% share of gross margin to partner on the project.

Option 2: You introduce an opportunity to a partner and you jointly sell the opportunity and they implement the solution; 50% to you and 50% share of gross margin to partner on the project.

Option 3: Partner introduces you to a project and you do all the selling and implementation: 85% to you and 15% share of gross margin to partner on the project.

That’s it! No variations from agreement to agreement. Settle on one formula that works for your business and focus on executing effectively.

The following is a list of success criteria for review when developing a partnership:

- Executive Buy-in
- Alignment of Sales Force
- Sales Skills of Potential Partner
- Financial Stability of Potential Partner

- Vertical Market Knowledge
- Level of Client Influence
- Core or Non-Core to Partner
- Geographic Coverage
- Cultural Fit - date before marriage - try a few projects before investing significant effort
- Success with other partners/partner-centricity
- Focus on & commitment to process, objectives, etc.
- Service Level Agreements

The following is a list of alliance requirements (in writing):

- Project goals
- Deliverables
- Resources that will be allocated to a given project
- Reporting structure, including name of the assigned project manager
- Responsibilities & Identified Resources
- Time frames
- Performance metrics
- Prices, commissions and payments
- Payment terms
- Penalties, e.g. for not meeting deadlines or missing performance goals

And finally, the following is a list of success metrics to measure your partnerships:

- Did the partner complete his tasks on schedule?
- Was the work satisfactory?
- Did they require excessive supervision?
- Were they cooperative and easy to work with?
- If they owed you money, did they pay on time?
- Most importantly, was your customer satisfied with the partners' work?

Summary

Partner selection and implementation will be key determinants to your long-term success. Take some time to evaluate your partnership strategy. As technology continues to become more complex, your client's demands become greater, and you desire to be their trusted advisor, partnerships can be a very viable solution.

Each of us is fearful of losing the relationship with the client. But with a systematic process for communication with client and partner on the project, you can still play the role of “contractor to subcontractor” as you chose. Studies show that partners who are in clients offices generate 3-4 more projects than those who do not.

Strengthening your relationship with your clients will require you to find the resources that your clients need, when they need them. As part of your strategy, create a set of guidelines around what a good partner looks like for you. Develop standard partnership agreements that you can use with all of your clients. In addition, learn how to set realistic expectations on all sides of the relationship and measure success of each partner and each project. Define key metrics for success in advance. Understand opportunity costs as you proceed. And finally, measure the ultimate goal, client satisfaction!