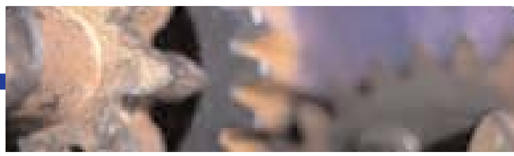

When Competing Means Coming Together

What makes partnerships work

A White Paper

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What makes partnerships work

Every day in the headlines, we read about people and organizations forming alliances in pursuit of success. In Congress, lawmakers package legislation with provisions for allies and adversaries alike, all in the name of bringing together the right people to prevail. In business, companies unite to compete through mergers, acquisitions and partnerships. Even in reality television, we see the power of alliances as competitors strike deals in hopes of surviving the contest—and ultimately winning the game.

From Capitol Hill to Wall Street and beyond, we know that partnerships can get the job done. That is why, in the United States alone, 64 percent of executives say that they plan to increase their use of strategic alliances over the next two years, and why 52 percent say that they plan to enter into more joint ventures.[1]

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In dramatic contrast, we also know that partnerships will predictably fail, and often do. Indeed, 70 percent of partnerships do not deliver the results intended.[2] Hence it is critical to understand (1) why partnerships fail and (2) what makes a partnership successful. The answers are rooted in the predictable dynamics of partnerships and how they play out in the current marketplace. By applying principles derived from real-time experience with diverse companies and industries, we believe leaders can greatly increase the likelihood of extraordinary success.

Teaming Up: Old Concept, New Game

Partnering has always mattered to business leaders, but it matters differently now. The deals cut and lines drawn are more sophisticated, and the costs and stakes are arguably higher than ever before.

We are seeing new levels of alliance in business—both within companies as well as in their relationships with outside vendors, peers and competitors. Externally, companies who compete on general fronts are also teaming up for strategic alliances in specific markets and aspects of their delivery. For example, in the online marketplace, we see major search engines partnering with rival online information brokers to capture greater market share. In addition, businesses in all industries continue to merge with and acquire one another, chasing the promised post-merger synergies that compelled them to unite in the first place. Yet despite their best efforts, more often than not, such deals do not produce the added value anticipated.

Internally, we see businesses launching cross-functional, internal partnerships aimed at achieving high-performance results. Their leaders understand that achieving operational excellence in any kind of environment calls for business units within a company to work effectively with one another—although historically, they often don't. In addition, growing numbers of companies are outsourcing significant, specialized aspects of their operations in order to speed delivery time and reduce costs. For example, by 2007, two-thirds of companies will outsource at least 25 percent of their technology network services, and more than half of their leaders say they perceive outsourcing as a strategy that will produce a strong return on investment[3]—despite the disappointing outcomes that may result in practice.

The unique demands of partnerships require a unique set of leadership skills, above and beyond those needed to lead more "conventional" organizations, teams and efforts.

In our work with organizational leaders over more than two decades, my colleagues and I have seen businesses learn how to adapt expertly to changes such as mergers and strategic alliances; we also have seen many others struggling to do so, with their futures in the balance. We have come across companies where the heads of different departments literally did not speak with one another, and yet we have seen such companies evolve into organizations that deliver cross-functional high performance. Today, without exception, the organizations with whom we work are committed to embracing change and uncertainty in order to achieve success—efforts that include developing and creating partnering capabilities.

The New Frontier of Partnership: Costs and Returns

With leaders across industries partnering on numerous fronts, we increasingly work with clients engaged in high-cost, high-stakes partnership efforts. In this emerging frontier, a new set of leadership competencies is emerging, focused on how to successfully create and sustain partnerships that produce high-performance results.

Why are the majority of these partnering efforts doomed to fail? The case studies accumulated by my colleagues and me tell us that this is rooted in a combination of factors:

Unanticipated costs – The costs in terms of money, morale, corporate identity and other related factors are greater than anticipated;

Unrealized value – The expected value of the effort is farther off in the future than anticipated, or ultimately does not materialize; and

A failure to understand what it really takes – There is often an unspoken, unexamined misconception that once the deal is closed, everyone will know how to think and act to produce the envisioned results.

Why is it that these partnerships don't measure up to the boldest vision behind them? What's missing? Our answer: Leadership. The unique demands of partnerships require a unique set of leadership skills, above and beyond those needed to lead more "conventional" organizations, teams and efforts. We believe that the reason a striking majority of partnerships do not meet expectations, particularly at the outset, is because so many questions remain about how to successfully lead these efforts.

Understanding The Predictable Nature of Relationships

Most people agree that any relationship, whether it is a personal or business relationship, consists of people who get together because of a common circumstance or aim. In other words, there is usually a compelling reason for the relationship to develop—they like each other, they want the results and rewards they could achieve if they worked together, etc.

Over time, however, relationships can fall prey to bad habits and ego. Partners can lose their direction as they focus on results and eventually shift into survival mode; ironically, they can begin to feel and behave like adversaries. Consequently, the essence of the partnership—the reason these people or organizations came together in the first place—can get lost altogether. When this happens in a business context, deadlines are missed, schedules and budgets are overrun, reasons and explanations rule the day—and ultimately people have little sense of being able to make progress.

In the early 1980s, when we began helping companies tackle critical challenges, we were often called upon to intervene with projects that were already in a downward spiral. What we found at work in these instances were behaviors that could predictably doom an internal partnership, including finger-pointing by teams who were preoccupied with assigning blame for disappointing results. By identifying this destructive dynamic, we were able to help teams generate a shared, aligned commitment, as well as new ways of thinking and behaving. Once people saw the negative effects of blaming and finger-pointing—and understood the predictability of this behavior—they were able to begin operating successfully in a new paradigm characterized by an unprecedented level of mutual responsibility and a shared commitment to breakthrough results.

For companies pursuing high performance through external partnerships, similar guidance holds true. When external partners are aware of potential pitfalls from the start, they are much better equipped to remain focused on productivity and results. For example, we helped arch rivals to form a first-ever industry alliance that made it possible for all partners to develop otherwise untapped resources. By pooling their collective talents, technology and people, they made historic progress and realized unprecedented gains. The tremendous value of the alliance—from speed to market to millions of dollars in cost savings—would not have been realized if the leaders of each partner organization had not committed to an objective that reached far beyond their status as competitors—to the overarching possibilites at hand.

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What It Takes To Partner Successfully

When it comes to leaders and partnerships, context is decisive. The existing "environment" or "mood" powerfully shapes what people believe is possible to accomplish. While this may seem obvious, few leaders grasp what's required to reveal the constraints of the current context and establish a new, more powerful frame for the relationship *and* the effort. The awareness of such subtle yet critical aspects of the environment is fundamental to partnering success.

Hence, a leader's effectiveness may lie more in his or her orientation than a more conventional set of skills, abilities or knowledge. Our experience has shown that a leader armed with partnership foresight/the ability to recognize the predictable mindsets of relationships has power to transform relationships into high-powered partnering efforts.

What, then, is the orientation of this new kind of leader? If success in a partnership context is not merely about individual capabilities, knowledge or ability, then what is it about? While there are many factors involved, we have isolated five critical principles which, if adopted, would allow for something exceptional to happen in this new world of high-performing partnerships.

Principle #1: You Can't Get It Done Alone

No leader or organization is an island. For your partnership to succeed, your outlook must accommodate this simple truth: You can't get it done alone. It's not that you aren't capable enough, or that your organization doesn't have sufficient resources. The point is: The possibilities become almost limitless when you see other people and organizations as pathways, not potential competitors or obstacles. The new kind of leadership required in the world of partnerships and alliances calls for this perspective. This view positions you to consider actions you would not have otherwise considered; it enables you to see people, groups and key relationships as vital to achieving success, rather than entities to contend with or tolerate.

For example, when my firm was asked to support the implementation of a new technology in a multi-national corporation, a dramatic obstacle emerged. Although the project teams had successfully developed and tested a new software for the company, it became apparent that unless they could gain the buy-in of all key functional business units within the corporation, the project would not succeed. The team saw that they were operating from an assumption that since their software was great, everyone would want it. However, this assumption ignored the impact of user attitudes and their receptivity to change. Once this was recognized, the team members took a powerful stand for collaboration and partnership with the business colleagues they served. By doing so, they were far more effective in getting key departments on board as they marketed their innovative technology.

Principle #2: Be Committed and Unattached

In order to create powerful relationships for exceptional value, it is important to be fully committed, but not attached to any particular approaches or pathways. Being a leader in a successful partnership requires letting go of what you might think is the "right" method or direction—and instead being guided by what others seek to contribute and generate.

For instance, as teams embark on a new venture, people can often be unclear about the creativity required not only to form their ideas, but also to put them into action. In one project taken on by a team within a global energy company, team members knew how to finish building a new installation, but they didn't know how to do it more cost-effectively than it had been done in the past. If they installed it the way it had always been done, they would not benefit from financial rewards being offered according to their contract. With this impetus, one person on the team came up with an innovation that flew in the face of years of history and conventional wisdom. In order to implement this new idea, the team had to let go of the company's most tried-and-true approaches. And the risk paid off: They succeeded—beyond what anyone thought was possible.

Principle #3: Operate from 100%-100% (Not 50-50)

In most typical relationships, the model for success is 50-50. You give 50 percent and the other person or organization gives 50 percent in order to make the relationship work. The downside of this model in business is that both parties are left waiting to see what the other will do and contribute. In addition, there can always be questions about whether a partner is truly giving their 50 percent. The bottom line: a 50-50 model will not ensure success, a 100%-100% model will. If you hold yourself 100 percent responsible for the success of the partnership, then even when the commitment is not reciprocated—if the other leader or organization takes zero percent responsibility—it will work. Moreover, consider what might be possible if both or all parties held themselves 100 percent responsible for the success of the relationship. Under such circumstances, virtually nothing could fall through the cracks, and everyone would be committed to a result far beyond their individual contributions. In this new world of leadership, establishing a 100%-100% percent model allows for exceptional value and extraordinary performance.

We saw this principle in action with a client whose work to deliver on a government fixed-cost contract was headed in the wrong direction. The product in question was for soldiers in the field, and every moment of delay potentially translated into lost lives. The engineers on the project were blaming the product designers, and the product designers were blaming nearly everyone else. In fact, when the designers were asked to correct a problem based on product testing, their response was to produce a 50-page paper that essentially said, "It's not our fault." When we intervened at the request of the company and asked the team to step back and take a hard look at their responsibility, they ultimately concluded that they could—and would—accept responsibility for all of the failures. The team opted to be more committed to the customer than to being "right" about identifying who did what to cause things to go wrong. By taking 100 percent responsibility, they were able to galvanize the engineers and product designers to correct the problems and deliver the product to the customer and recover their financial overruns.

If everyone involved is committed in the sense that they feel "on the hook" for overall success and achievement, no one runs for cover when difficulties and setbacks occur.

Principle #4: Own It All

In many relationships, the question frequently asked is, "Who is responsible here, and for what?" Unfortunately, that question is often raised only when things are going wrong or problems begin to surface. A leader generating high-performing partnerships creates an environment where everyone takes ownership and considers himself or herself fully responsible. In this context, people are oriented to own it all—not just the parts they may play. If everyone involved is committed in the sense that they feel "on the hook" for overall success and achievement, no one runs for cover when difficulties and setbacks occur.

For example, we once encountered a team in a global technology company working on an under-resourced project. Their timetable was extremely tight because of competitive market pressures. Yet the team committed to getting it done—on time and on budget. This kind of fundamental commitment began when the project manager said to his boss, "You can have my badge if we don't deliver this project." This declaration of ownership, which began at the top, infused the team with a model for success. When problems arose, the project leader and the team intervened because they were responsible—and achieved success. In this environment of "owning it all," the team fully delivered on their commitment, the project manager kept his job, and morale on the team soared because of their accomplishment.

Principle #5: Close the Back Door

This approach is a seemingly simple, yet very potent approach to success. When situations or circumstances do not go the way you thought they would or should, there is a great temptation to give up on the vision for extraordinary accomplishment and rationalize the decision as a means of "cutting your losses." However, if you take the stand that "this will work" and have this commitment consistently shape your actions and decisions with your people and partners, it can be a powerful force in the face of any and all circumstances. It can intervene in the predictable backsliding that affects even the best of people in the darkest hours of an effort. When you take this stand, you literally close the back door, and choose to deprive yourself of the option to de-commit. You have willingly surrendered the right to back off or get off track. Now, giving up is no longer an option.

When an entire team and key partners choose to operate this way—with no back door—they collectively create an extraordinary work environment. Setbacks and breakdowns become occasions to renew and deepen the sense of purpose for the partnership, as well as to invent solutions which set new standards for effective collaboration.

Points To Remember

With companies' ever-increasing reliance on partnerships both internally and externally, there are valuable insights to share about why most partnerships fail—and more importantly, what can help make them work.

By applying key principles of partnering success, organizational leaders can help ensure their partnering efforts won't fall prey to some of the predictable reasons that *make* partnerships fail:

If you are leading an internal or external partnering effort and you operate from a belief that the alliance is essential to success—that ***you can't get it done alone***—the value of that partnership will be evident in your approach to the work, and that of your team. Once equipped with this approach, if you can remain ***committed*** to the partnership's objectives—***yet unattached*** to the particular pathways to achieving them—your teams will have the work environment that they need to cultivate the best possible approach to the challenge at hand.

If you operate from a ***100%-100%*** model of accountability for the ultimate outcome—good or bad—this confidence in the partnership will galvanize your teams and position them to deliver extraordinary results. Moreover, if the responsibility you take as a leader extends to all aspects of performance—those that are within your control and those that are not—this ***"own it all"*** stand can infuse a team with the momentum it needs to deliver breakthrough performances. And finally—although it sounds simple—if you can ***"close the back door"*** by taking the stand that ***"this will work,"*** the partnership will be a powerful force in the face of any and all circumstances.

[1] "KPMG: Joint Ventures, Strategic Alliances to Increase." May 2005 summary of KPMG survey available online at http://accounting.smartpros.com/x48056.xml.

[2] Numerous surveys say 50 to 70 percent of strategic alliances in every industry don't meet expectations. Michael D. Lam, "Why Alliances Fail," *Pharmaceutical Executive*, June 2004.

[3] A summary of this survey by *The Economist* Intelligence Unit is available online at http://www.bt.infonet.com/newsletter/ext_us/0410/esurvey.html.

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