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Four Steps to Creating a Gorilla Partnership

Understand Your Target Company's Needs
Meet With Their Executive Staff
Build Strategic Partner Relationships
Generate Significant Joint Revenue Leveraging Your Products and Services

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Introduction

The background behind this article is the common understanding that great companies use both strategic and tactical partnerships with a wide range of company types in their ecosystem. It is primarily directed at the small companies seeking out a gorilla partner to take advantage of their existing ecosystem. A gorilla partner could be a Microsoft, HP, SAP, Oracle, or a Cisco in the enterprise arena; small companies might offer consulting services, software applications, tools, or middleware components; while open-source communities may adopt the role of partner with a goal to deliver their visionary software to other developers or to meet the needs of their own marketplace.
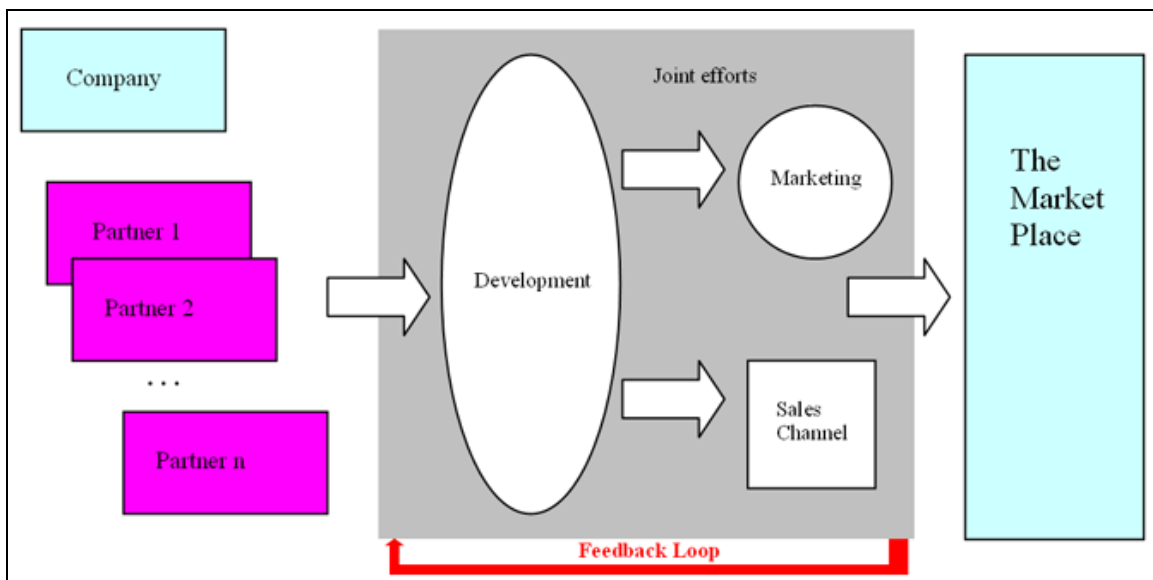

Figure 1: Relationship between a company and its partners

Sometimes the initial effort is driven by simply hoping to get access to a name brand logo for a seminar or market announcement. Sometimes the initial effort is to get the company or one of its products purchased by the larger company. But in fact, these types of initial goals are not very effective. Of course they are part of a partner plan, but read on to learn more about how companies are forming effective partnerships in my geographic area, the Silicon Valley, and how these hard won techniques may apply to your business needs. Of course gorilla companies can also learn from my steps presented below. This article presents some field proven business practices that can be effective in forming, maintaining, or growing your leadership in your market sector.

"If you think you can go it alone in today's global economy, you are highly mistaken." -- Jack Welch, General Electric

"Union may be strength, but it is mere blind brute strength unless wisely directed." -- Samuel Butler 1612-1680 British Poet, Satirist

Partnership failure rate is high:
- Poorly defined objectives, inability to measure alliance success
- A minor part of sales strategy
- Alliance group not well aligned with other groups
- Difficulty in engaging many partners while staying focused on high value partnerships
- Ad hoc agreements with no time line in place

Some partnership concepts:
- Measuring partner success
- Joint partner project management
- Attracting the bigger fish
- Implementation
- Getting to revenue
- Partner targeting, finding the right partners
- Partner alignment
- Prospecting, staying focused
- Setting expectation (internally to company, and externally to partner)
- Time-to-market with partners (achieving corporate objectives)
- Product team alignment
- How to integrate partnering strategy with existing business strategy
- Leverage partners that may eventually acquire your own company (an exit strategy)
- Exclusivisity (the good and the bad)
- Confidentiality ~ Trust in partner relationships
- Coordination of stake holders
- How do you scale a partner program from a few partners to many
- Licensing agreements

Step 1: Avoid the Barney meeting

Avoid the "Barney meeting" (in case you don't have a 3 year-old who watches this person in a dinosaur costume all the time on PBS TV. The show kind of goes like this: "I love you, you love me, we are one happy fam – ill – ly, with a great big hug from me to you to me…"). We all feel good by the end of this type of meeting but no substance (money generation) has been formed (effective partnership) yet only a little time was wasted (who bought lunch anyway?). Have a "brunch" of these meetings and no profits will be generated from your targeted partnership.

Step 2: Stay Focused

Stay focused on the substance of an effective partnership. Spend significant time in advance studying the partner, their executives' activity on their web site, and media press releases; find the exact context of where your targeted executive is likely to be in his/her programs and initiatives in advance that may have specific money making relevance through the adoption of your program, product, or service. Call the executive's assistant and suggest you want to avoid the all-worrisome "Barney meeting" and ask for some external web site and media publicity that they can point you to in order to understand this particular executive's current efforts and initiatives. If this executive is a new contact for you, contact the main number at the relevant company HQ and ask for your targeted executive's assistant. Note: in the development of ECI's telemarketing program and strategy for use by its customers, we have found that this is the one person that is easy to reach and almost always given out willingly by the main operator.

Your effort in doing research in advance will "warm the coldest heart of the most over worked executive." They can feel glad that you are going to spend his/her time with some possible consideration toward helping drive their initiatives further. This is important as senior executives are likely to be following a market or business plan with some 18 month reach and little wiggle room to make changes. Your research effort may be enough to prepare for a good meeting if your goal is to be a part of your target executive's current plan as initially perceived by his external publicity.

Decide if your product integration should be based on a "fill in the gap" (tactical), or be part of the "wheel house" (strategic) solution. Develop a two stage value proposition: one for the partnership (your product integrated with your targeted gorilla's platform), and one for the direct customer. What kind of partnership is a good one to form? There are 4 key areas to consider:
1) Accelerate existing markets,
2) Strengthen ecosystems,
3) Create/enter new markets,
4) Develop vertical solutions.

Step 3: Select Your Plan - Tactical vs. Strategic

If you find that a) the target partner's initiatives are not directly applicable to making money using your idea, service, or product, b) you would like to help the potential partner prospect's executive plan their next initiative for some say 1 to 3 years into the future, or c) you would like to offer a program that redirects the partner's initiatives towards the adoption of your yours - then you may not be ready for this meeting (this is the consensus as I received from talking to both small companies that have won large partner contracts and the gorilla companies that have partnered with these small companies).
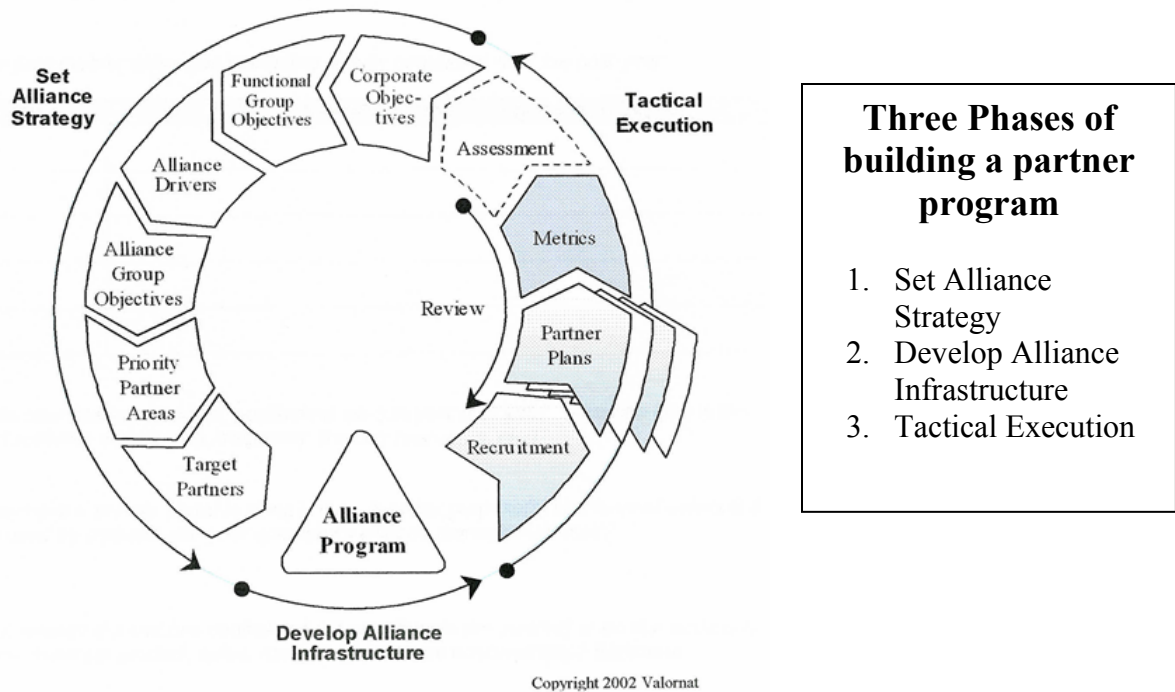
Three Phases of building a partner program

1. Set Alliance Strategy
2. Develop Alliance Infrastructure
3. Tactical Execution

Figure 2 Phases of a partner program

To prepare for the "change the gorilla company's current strategy" type of meeting, work with your targeted partner's customers and develop case studies demonstrating their effective adoption of your product and work at having that information bubble up through your partner's sales team. Yes the key here is money. The partner's sales team must see the value of using your product and be able to effectively communicate this up through their sales channel back to their executive staff. Your partner plan will also need to rise to an executive level of interest.

> To be of interest your plan should demonstrate that:
>
> 1. Your gorilla partner's customers need your product, AND
> 2. Your gorilla partner will need to commit a reasonable (not small) number of their professional staff (say 20 people for a $1 billion company as an example I found) implementing your idea for creation of direct revenue.
>
> Otherwise the idea is too small, not relevant, or too risky.

Step 4: Know Your End Game

OK, good – you made it into the partner company and there is a willingness to form an agreement. It is time to craft and execute a business plan with the big partner company that includes specific assigned effort by each company along with a reasonable set of metrics to measure both your companies' effectiveness at building joint customer revenue. The initial problem is likely to be how to commit to the first year's revenue quota so it is large enough to be interesting but small enough so that the project can be mutually successful before the end of the first year. Here are some ideas to consider, hard won by my references.

Understand that big companies change their plans over time and any "fill in the gap" joint product integration may become a competitive product at any time as a result of a new product line developed outside the scope of your partnership (but inside the gorilla company's plans for the upcoming year). To avoid this problem is probably impossible but there are ways to mitigate.

Lay the Foundation

Alliance goals based on the gapes in the company's functional groups:
- Engineering
- Corporate Marketing
- Product Markets
- Sales
- Technical Support
- Training
- Executives
- Operations
- Finance

How to align partnerships with company
- Start with Corporate Objectives (short and long term goads)
- Determine company's functional group objectives
- Alliance partner program drivers
- Alliance group objectives
- Leverage partners
- Generate awareness
- Drive Revenue into partner's sales channel
- Satisfy partner objectives
- Define priority partner areas
- Target partners

Develop the alliance/partner program
- Alliance resources (technical vs. contracts)
- Partner opportunity (craft the message)
- Program marketing (an internal effort)
- Partner agreements
- Resources committed
- Goals and time-lines
- Alliance enabling and scaling

Tactical Execution
- Recruitment
- Partner Planning
- Company's strategic objectives to be tracked with status meeting per quarter
- Quantify specific deals
- Deliver specific events by partners
- Quantify specific deals and events per quarter to be delivered to partners
- Extend implementation capability
- Train a certain number of people or certified product integrations

Tactical Programs
- Develop Alliance/Partner Agreements, not a legal agreement
- Budget set in advance
- Capture these milestones quarterly, looking for change in plan or new partner if something is not working
- Engineering
- Product Marketing

Metrics

Use a table to keep track of both progress and performance of time-line developed in partner agreement for each strategic partner

	Engineering	Sales	Product Marketing	Corp. Marketing	Training	Tech Support	Finance	Operations	Executive Goals
Progress									
Performance									

End Game

Suggestions are:
- Assume that any effective but static partnership will likely not last more than 5 years,
- Continue to make new contacts within the partner's engineering group to get the "real scoop" on what is going on and how you can adapt to changes in their platform's new product development efforts,
- Design your product to integrate with the future partner product, not the current product as the current product will likely be the old product by the time the joint sales team has been enabled.

For partnerships that lead to a strategic level "in the wheel house", then consider what your exit strategy will be:
- OEM deal i.e. no real exit strategy,
- Buy-out,
- Separate company leading toward a public stock offering while leveraging the support of your gorilla partner.

It is the general but hard won opinion that the only real money is in the public stock offering exit strategy. The OEM deal usually creates little money, no brand recognition, an end to partnership someday as the original gaps are filled. The buy-out puts your product line and your remaining staff into a dead-end position driven by the "not invented here" attitude from the existing engineering staff, and the sale price is hardly ever close to covering the cost of developing the partnership in the first place.

Frequently Asked Questions

FAQ: What types of "wheel house" strategies are effective?
Let business strategy drive the alliance logic. Design the alliance to fit the strategy. Grow relationships; don't just "do deals". By this I mean, start with a small set of goals and accomplishments and move towards a world wide initiative over an 18 month period, for example. Use constellations of alliances, not stand-alones. Organize internally to cooperate externally. These thoughts can be used to create financial and non-financial goals as a result of the partnership. A common approach is to craft a win-win "field enablement" strategy then "monetize" the relationship with specific commitments from both companies.

FAQ: I have been assigned a partner manager to manage my relationship with our larger company and this manager seems to be only in charge of keeping us separated from the important staff we want to meet at the partner company (executives, sales, engineers, etc…). How should we proceed?
First, it is dangerous to move into alternative directions within the company behind the back of this manager or whoever your initial contact may have been. Now we are all adults here and you can neglect this suggestion and still be effective, but the problem is that larger companies have a political base as well as a commerce base. If you go outside the normal track or attempt to create parallel initiatives at your targeted partner company, then you run the risk of having one of the internal groups within the partner company sabotage your partnership even after effectively creating a good plan and consuming much wasted resources.

Second, here are a few traits to look for in a good partner manager:
> 1) Trust builder,
> 2) Skilled virtual team manager,
> 3) Persistent,
> 4) Industry/company expert,
> 5) Partner champion (but they still understand who is paying the salary – a thin gray line!),
> 6) A customer advocate.

If your designated partner manager describes his/her job as "relationship management" then you are likely to be disappointed with the partner relationship. Complain to the partner manager, and partner's executive team, and consider starting new relationships following the complaint process. A partner manager's key skill set is in relationship management, but the job function should be that of revenue building and customer satisfaction – not relationship building.

Third, a good partnership may be started at any level and within any group of your targeted partner company. The official partner program's management is best used to manage the business development issues around establishing the partnership while leaving the rest of the relationship to "key" personal at the executive, sales channels, marketing, and technology centers. In other words the partner manager does not try and hold onto "political credit" for forming new partner activity even if they did some of the initial heavy lifting to initiate the partner relationship. This method of governance between partner program and the rest of the company's ecosystem leads to more efficiency with fewer resources wasted managing both a "political front" and a "business front".

OK, you agree with my discussion around this question so far, but how do you actually fix relationship problems when the partnership does not seem to be working. The best answer here may be to realize that not all good companies know how to partner well. What I am saying is that most effective companies agree that building partnerships is a good strategy. But not all companies offer good partnerships or have effective partner programs. My suggestion is to

- Try and make the changes you feel are required,
- Bring in an experienced consultant in this area of creating effective partnerships (ECI handles this type of consulting), and
- If all else fails, officially announce internally that you can not partner with them under current conditions and give them some time to respond.

If they still chose not to amend their partner relationship and to alleviate your concerns, follow up with a public announcement so your customers can be included in the transition to a new partner company and relationship.

The goal here is to
- Try to achieve the needed changes with your existing partnership,
- Target a new company to partner in this same market space,
- Make the necessary transition to a new company if your current gorilla partner fails to accept the changes you require, and
- Have your customer base follow you and adopt your new product integration with your new partner.

Take note that the world continues to go round so your initial company that you had to leave behind may contact you to discuss a more effective relationship at a later time.

FAQ: Where to get help in the management and creation of effective partnerships in the embedded industry?
Embedded Components, Inc. (ECI) has developed a service vision called "Cycles of Efficiency" (CoE) developing web services and integrated marketing programs so technology companies can reach their target market. As a practical example, ECI has created a distance learning center for market development using the CoE concept. You can visit the current distance learning centers or consider sponsoring one of your own from here:
http://www.embeddedcomponents.com/marketplace/

Companies Interviewed (many thanks to sdforum.org)

Leveraging Strategic Partnerships: The Why, When, and How

These companies partner with each other (ad hoc customer demand) and with the industry leaders listed below (strategic field development goals).
Leslie Sutherland, President and CEO, Sutherland Corporation
Rick Bullotta, CTO, Lighthammer
Beth Dabagian, Director Business Development, Oblix Inc
Mark Feldman, Sr. VP Marketing and Business Development, Virsa
Gary Loveland, Partner, Price, Waterhouse Coopers

Structuring the Deal

These companies provided many useful suggestions on how to best structure a partnership deal. Common sense and an understanding that no paper document alone will keep the partnership alive and effective is the corollary message.
Joshua Greenbaum, Principal, Enterprise Applications Consulting
Kevin Efrusy, Partner, Accel Partners
Arman Pahlavan, Partner, Squire, Sanders & Dempsey LLP
David Silverman, Business Development Director, Demandware
John Spencer, VP Business Development, Actional

Technology Industry Leaders

Large companies understand the value in creating partnerships. These companies offer a range of partnership programs ranging from 3'rd party programs to share software with developers that enhance the company's product suite, venture funded programs to enable a key technology, to strategic partnerships that enable their field sales efforts.
Laura Merling, Executive Director, SDForum
Mark Barry, Director, US-.NET Emerging Business, Microsoft
Joe Lee, VP Intel Strategic Alliance, HP
George Paolini, Senior Vice President for Ecosystem Development, SAP Labs

How To Identify A Good Partner Program

Steve offered an in-depth presentation of what makes a good partner program tick and how to effectively manage the relationships within a large company as well as out in the field.
Steve Steinhilber, VP Strategic Alliances, Cisco

Effective Partnering

Lecture on "Effective Partnering" hosted by Women's Technology Cluster, by Valorant's executive team:
David Karel, and Eric Perreca, July 30, 2002
http://www.wtc-sf.org/