

What Should Be On The Menu When You're Talking Alliances?

Focus on Value-Added Topics When You "Do Lunch" With Prospective Partners

By Steve Tennant

With an increased focus on generating revenue, alliances are reappearing on CEOs' priority lists. When you "do lunch" with a prospective alliance or acquisition partner, how can you quickly assess whether you should work together?

Too often, I see initial alliance discussions focusing prematurely on features of the partnership. This takes the form of discussion topics like these:

- "Would we sell under your brand or ours?"
- "How can you bring us into deals?"
- "How can your sales team refer us in to your customers?"
- "We'd like your company to sell our products."
- "What's the royalty/referral percentage you guys would give us?"



Too many conversations focus prematurely on dimensions of the alliance solution, without first getting clear on the target market or customer problem the alliance is addressing.

The alliance has much greater chances for success when both parties agree on a common target market, unmet customer needs, and joint vision of a solution. Questions in these meetings sound like:

- What is your target market? How does it compare to ours? Is there overlap?
- Where are you taking your company? Is there synergy with where we're taking ours?

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- What are you hearing from your customers today? What unmet needs do they have?
- Can we agree on the market problem we'd like to work on?
- What's our intent for working together? How might we measure success?
- What are the desired outcomes for working together?
- Why would a prospective buyer of our joint solution be excited to take a meeting with us?

You get the idea. Instead of a “tug of war” over pieces of the pie, we're on the same side of the table, looking for customer problems to solve together and how to make the “pie” as big as possible.

The failure rate for alliances is high -- especially when the executives involved fail to consider the right topics. By putting the markets' needs first, and forming an alliance to address those needs, your alliance relationships will be much more successful.

Strategic & Cultural Fit

Consider assessing the "fit" with prospective alliance partners in two ways: "Strategic fit" and "cultural fit". Alliances need both to work. The "strategic fit" assesses your mutual interests and ability to create value in the marketplace. "Cultural fit" looks at whether your teams can work effectively and support each others' interests. In other words, if you and your partner were paired up for the three-legged race at the annual picnic, would you stumble and blame each other, or run effortlessly to victory?

In an initial lunch conversation, the "strategic fit" tends to be the "what" of the conversation. The "cultural fit" tends to be the answer to the "how'd it go?" question that comes up when you reflect on the discussion while driving back to the office.

Here are the factors I consider for the strategic fit.

Alliance Assessment Checklist: Strategic Fit

- 1. Team** – How does the leader and their team stack up? Do you feel like you can work with them?
- 2. Market** -- What market segments do you each focus on? Can you agree on the market focus for your alliance?
- 3. Problem** -- What problem does your joint solution solve? Will customers be excited to see you two coming?

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4. **Solution** -- What's your joint solution? Who will sell it to the end customer?
5. **Competition** -- What other alternatives will customers in this market consider to address their problem, and how are you two together able to address this problem better than anyone else?
6. **Value Proposition** -- What's the win-win-win three-legged value proposition for your customers, your partner and you?
7. **Financials** -- How will we price our joint solution, and what resources will we both put toward creating this alliance?

Does this list look familiar? If you're familiar with my presentations on business plans and raising venture capital, you'll recognize these as fundamental sections of your business plan or investor pitch. What's different here, though, is that in an alliance conversation, rather than describing just your company, we're describing how both companies work together in each of these areas. That's an alliance business plan.

The entity for whom the plan is done is the alliance. You can think of your alliance as a miniature business at the intersection of the two parties' businesses – a business-within-your-business. That mini business needs its own business plan. In fact, when hiring or coaching alliance managers, I describe to them how they are the CEO (or co-CEO along with their counterpart of the other party) of the alliance business unit. This alliance business unit has 100% of the business functions of both companies represented in some way: sales, marketing, finance, product development, customer service, HR, culture, operations, technology – you name it, it's in there.



So next time you “do lunch” with a prospective alliance partner – put the interests of your market and joint customers first, and like Rick in Casablanca, by the end of the meal you might find yourself saying, “This could be the start of a beautiful friendship!”

About Tennant Consulting



Tennant Consulting is a business advisory and marketing services firm that helps software company founders and CEOs accelerate growth of their business by providing a blend of strategic marketing, product management, alliance and business planning services. He has worked with over 25 technology clients, including Calypso Technology, Cisco Systems, Vendavo, Emagia, MedeFinance, Content Management Corporation, Trusted Data, and Technology Ventures Corporation.

Its managing director, Steve Tennant, was a former VP of Business Development at PeopleSoft and several startups. He has formed or managed over 300 alliance relationships in his career. Today, Tennant Consulting clients use Steve's services to develop their alliance strategy, develop specific relationships, negotiate deals, and engage with both parties' field organizations.

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