Chapter XII

Creating Value through Alliances

“What I need is a list of specific unknown problems we will encounter.”

Anonymous

Many emerging company’s products do not bridge from the old way of doing things to the new. The customer may be forced to use the Web and frustrated beyond belief because no human being is available. Or they are sent e-mail with a document link but cut off unexpectedly from paper.

We can learn from tollbooths. They use wireless technology to move cars to “fast lanes” that do not require humans to collect the tolls. But wisely, they have not cut over to fast lanes all at once. They know only a few drivers would be ready with the rest bewildered and angry.

Yet many companies in the enterprise software business push their customer off a cliff. The preceding chapters have tried to reduce its height. The behavioral change chapter forces us to examine off-line patterns of human interaction and incorporate these features into our products. The implementation chapter helps us respect and easily integrate with legacy systems. The assimilation chapter emphasizes the need to address the complete business process and recommends industry partnerships to create a bridge from the old system to the new.

This chapter will help us create these industry partnerships. First, the two most common partnership paths are shown. The different distribution alternatives are
then described. How to create alliance maps that form the basis for the overall alliance strategy follows this. Then we look at execution, the most important part of successful partnering.

To Partner or Not?

Forming partnerships with other companies can enhance value and promote assimilation. The partner’s product can fill a gap in the offering and complete the business process and in other cases, a partnership is required just to have a working solution. Successful partnerships will create value that each company would be unable to provide independently.

Partnerships with large companies can also hurt an emerging company’s chance of becoming a mature one. The smaller company may give up access to critical markets. The larger firm may take a defensive strategy with no motive to sell the software company’s product. They may just be slow and ineffective and without malice put the little company to sleep. Or they may use the partnership to gain experience with the technology in the early days of the market only to build the capability in house as mainstream customers adopt the new solution. We will frame the debate in this chapter and use several new concepts to do so.

Alliance Paths for the Emerging Company

Figure 12.1 shows the two paths that alliances may take. The high road is the good one while the low one is painful. It is unfortunate that the lower path is the more common. One Bain and Company study concluded that only two of 100 alliances last more than four years and that most alliance overtures fail to get past the negotiation stages.

On the vertical axis of Figure 12.1 are the intangible requirements of a successful partnership. They include dependability, trust and commitment. These all grow or decline depending on which path the partnership takes. Along the horizontal axis are the four phases of partnerships.