Partnering Strategy:
The New Frontier for Chief Strategy Officers

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There are important reasons why partnering strategy should matter—a lot—to today's chief strategy officer.

Consider this scenario: You've worked with the business units to develop your strategy and now everyone is bought in, including the top level management committee and the Board of Directors. Then you check your Twitter feed. Your biggest competitor has formed an alliance with the top player in your major customer industry – a move guaranteed to shift the market. The CEO's first question goes to you. "Was this a scenario that we considered as a potential risk? Did we consider partnering to provide *us* with a similar advantage?" You sigh – you didn't think you could offer that option given the culture of your organization.

Or perhaps one of the business units has entered into a high profile strategic alliance, but hasn't resourced anyone to be responsible for it. The partner CEO needs to be assured your company is serious and has requested a meeting with your CEO. Now your CEO is looking to you for answers.

Or maybe your company has developed a diverse portfolio of partners – but the portfolio doesn't seem to be delivering the results that were factored into your strategic plan. In fact, the CFO says the company's financial reporting systems don't track results by alliance, so you aren't sure where to begin – but again, your CEO wants answers.

If any of these scenarios ring true, ask yourself the following crucial questions: "Do we have an explicit partnering strategy? Do we know who we should be partnering with? What is intended to be gained as a result of partnering with them? How will partnering activities be established and organized? How will value be created, delivered and captured?"

Don't be surprised if the answers are alarming. Business leaders frequently find that their company's partnering strategy is either nonexistent or isn't aligned with current corporate strategy. Yet, an explicit partnering strategy is essential when companies are increasingly dependent on partnering to drive innovation and growth.

It Starts with Strategy

It's remarkable that so many companies lack an explicit partnering strategy when partnering is a de facto component of most companies' strategies today. It is not uncommon to find that over 50% of current revenue, product pipeline and corporate spend is with entities considered "partners." Yet partnering often remains the third wheel in resource allocation decisions. Traditionally, companies ask, "Should we build or buy?" If neither of those decisions is a great one, then partnering is considered.

This dynamic is increasingly a relic of the past. According to the PwC 2014 US CEO Survey, 42% of CEOs intend to enter into one or more strategic alliances this year. Frost & Sullivan reports that more CEOs cite strategic partnerships as their number one growth strategy. A recent IBM report adds that 92% of CMOs are increasing the use of external partners and 68% of CIOs are partnering extensively to bring new capabilities to their organization.[1]

However, the scenarios described at the beginning of this article are all too real. They can lead to poorly allocated resources, misplaced effort, underperforming or failed relationships – and the real risk of financial, strategic or reputational damage. Indeed, the best data we have says that about half of strategic partnering efforts fail to deliver intended results.

Enter the Chief Strategy Officer

Partnering requires an alignment between strategy and operations and among business units and supporting functions. From development to deployment, partnering must be fully integrated into the company's processes, culture and ways of working. Figure 1, Partnering Execution Model, depicts how partnering has to be "baked in" not "bolted on" to every aspect of your organization.

The Chief Strategy Officer is the arbiter of resource allocation and the keeper of alignment with overall strategic objectives. Therefore, he or she is uniquely positioned to ensure that partnering efforts are strategically aligned.

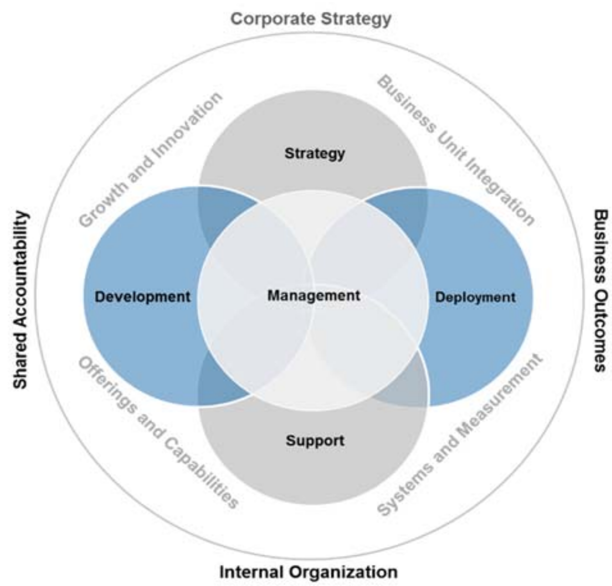

Figure 1 – Partnering Execution Model
Source: Alliancesphere

At its essence, a partnering strategy describes the why, what, how and who of a company's partnering efforts:

- **Why** – The customer opportunities, as well as the competitive, technological and economic forces driving the desirability of partnering
- **What** – The value sought and the program through which it will be delivered and captured
- **How** – The organizational capability required to identify appropriate partners, establish an agreement to work together with a joint value proposition and manage the collaboration throughout the lifecycle of the relationship
- **Who** – The characteristics of a desirable partner and the makeup of the partner portfolio

Each of these questions should be answered relative to overall corporate objectives and business unit priorities.

[1] *Good to Grow,* 2014 US CEO Survey, PricewaterhouseCoopers, 2014; *Strategic Partnerships: Accelerating Growth through Principled Partner Selection and Proactive Relationship Management,* Frost & Sullivan, March 2013, and *Why partnering strategies matter: How sourcing of business and IT services impacts financial performance*, IBM Corporation 2013.

Strategic Execution

Even absent a purposeful partnering strategy, most companies already have a number of partners – generally managed in an ad hoc way. A critical role for the Chief Strategy Officer is to treat these strategic relationships as a portfolio of partners. Taking a portfolio approach helps identify opportunities for initiatives that cross business units. It also helps business units prioritize investments across the portfolio—and wind down partnerships that aren't meeting objectives or are no longer aligned with corporate strategy. Managing the portfolio requires an understanding of all the sources of value that your partners bring to the table – many of which are inputs, such as access to a new market or a technology that allows a complete solution to a set of customer needs.

While the Chief Strategy Officer is generally not involved in managing the actual engagement with partners, the strategy will fail unless resources are dedicated to the *how* of working with partners. In some organizations, there is a strategic partnering function that reports to the corporate strategy office. This group is generally responsible for cross-business unit partnering and supporting business units in their partnering efforts by serving as a "Center of Excellence." By design, partner strategy should maximize the value of the portfolio and support the business units in their pursuit of corporate goals (See Figure 2 – Integrating Partnering Strategy with Corporate Strategy and Objectives).

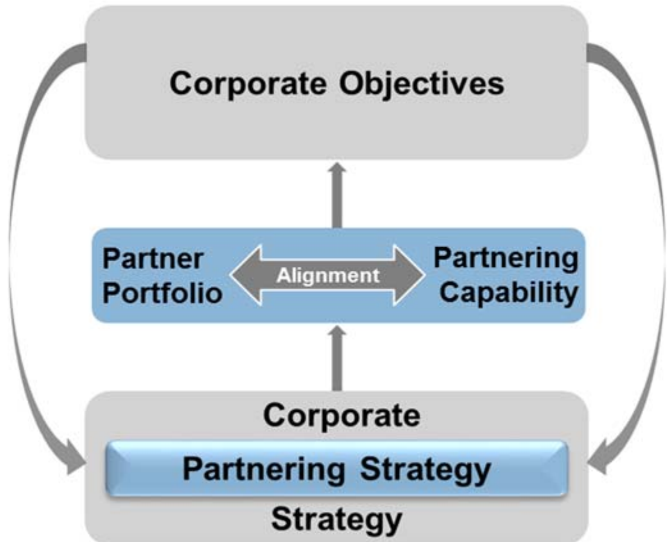

Figure 2 – Integrating Partnering Strategy with Corporate Strategy and Objectives
Source: The Rhythm of Business

New Frontiers of Value Creation

A purposeful, strategic approach to partnering produces better outcomes. Companies that partner smartly to drive innovation and growth outperform their peers in terms of revenue growth and a number of other financial measures. Additionally, if you're a good partner, you'll attract other good partners, thereby creating new opportunities. As strategy executives continue to play critical roles in strategy development, resource allocation and strategy execution, partnering is the new frontier of value creation.

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