

# Strategic Alliances and Marketing Partnerships: gaining competitive advantage through collaboration and partnering

Richard Gibbs and Andrew Humphries



*It is well recognized that partnerships not only represent a fundamental element of a firm's go-to-market strategy, but potentially can be a source of competitive advantage. Peter Ward VP and GM at Xerox Europe puts the case clearly "Partnering is no longer a part of our business; it is our business". This idea that partnering is central to many business models stands in sharp contrast to reality. Partnerships are notoriously difficult to manage. More than half of all strategic alliances in the 1990's were deemed failures in one way or another. And yet the benefits that successful marketing channels or partnerships bring with them are enticing. Effective partnerships have been associated with major gains in marketing, in financial performance, in innovation, in sales achievement and in end customer satisfaction.*

### **"You don't fatten a pig by weighing it"**

Faced with a failing alliance, marketing channel or supply chain partnership managers tend to resort to short term tactical and operational fixes. They lack the management tools needed to do the job properly; a deficiency brought about by failure to understand what drives successful partnership performance. The result is a focus on the outcomes (costs, sales value or units) rather than the process of partnering itself which translates into 'management by fire-fighting' rather than building collaborative value.

Over the last ten years Gibbs and Humphries have researched the factors that determine the success or failure of a partnership. Their ground breaking research according to Michel Clement, Snr VP at Oracle provides "real insight and practical understanding to anyone whose go-to-market strategy embraces alliances and channels".

Dr Richard Gibbs and Dr Andrew Humphries have been described as having one foot in the commercial world and one in academia. Their joint research programs covering many Public and Private Sector organisations have generated an **"innovative perspective"** which represents a **"powerful step forward in both management theory and technique"** according to Anne Mulcahy, CEO, Xerox Corporation.

Their book Strategic Alliances and Marketing Partnerships is published by Kogan Page in February 2009.

## Pre destined to fail?

### Management Challenges

- × Ineffective partner recruitment & retention
- × Lack of value created and captured
- × Lack of coordination and cooperation
- × Poor knowledge transfer
- × High costs to serve
- × High conflict levels
- × Lack of growth
- × Inertia
- × Initial adversarial negotiations lead onto adversarial management
- × Excessive focus on contracts and SLAs
- × Lack of common goals
- × Over ambitious and unrealistic expectations
- × Frequent misunderstandings and a lack of common goals

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The potential failure modes or things that can go wrong in marketing partnerships and strategic alliances are legion.

These outcomes may be inevitable as firms can easily enter a spiral of partnering failure conditioned by self interest, low commitment, poor communication and least effort. Confronted with such underlying fractures in the business relationship, short term fixes become increasing ineffective and expensive. In contrast the spiral of partnering success is a virtuous circle where firms gain increasing confidence and reap the long term benefits of their partnerships. The critical question for management is to understand what actions will ensure that they achieve or remain in the spiral of success.

## Third Generation Partnering

The differences in performance between unsuccessful partnerships and what Gibbs and Humphries call Partnering Excellence is immense. However, the performance factors that lead to this desirable situation can be clearly identified and accurately measured. Decisive and targeted corrective action can then be taken. Partnering Excellence is therefore not a matter of chance, but the result of a conscious strategy and change initiative by enlightened managers.

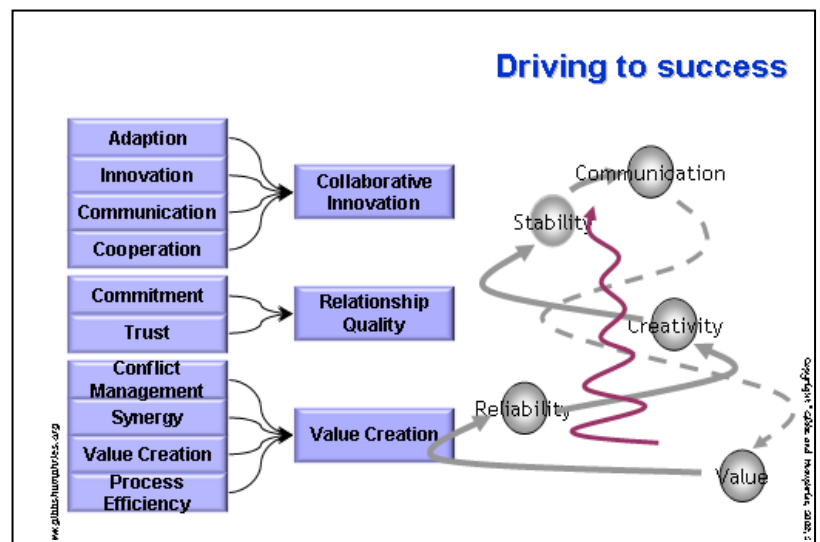
The critical success or Super Factors for Partnering Excellence fall into three broad categories

1. **Collaborative innovation** – the conditions that describe the effectiveness of the relationship and enable the partnership to be innovative and to respond to opportunities.
2. **Partnership quality** – the quality of the relationship exchange including commitment and trust.
3. **Value creation** – the efficiency of the partnership to create and capture the potential value that the partnership offers.

## Management Dashboard Metrics

Behind each of these Super Factors are a series of metrics and measures that enable firms to fully understand their partnering performance

These metrics are used by major firms in marketing channels, strategic alliances and supply chain partnerships as an essential 'discovery' process. They allow managers to target and improve the critical behavioural and operational aspects of the business relationship and, provide a key performance indicator or benchmark. By focusing on the level of 'mindshare' that they have with their partners, these firms have been able to realize substantial performance benefits.



## Gibbs and Humphries Partnering Types<sup>®</sup>

The scientific evaluation of partnering performance reveals that business relationships typically fall into one of eight archetypes.

Each of these types has its own, distinctive set of characteristics in much the same way that Myers Briggs evaluates and describes human personalities. Importantly, the ***Gibbs+Humphries Partnering Types*** also reveal the likely business consequences of each type and identify the most appropriate marketing or management processes needed to achieve the best possible outcomes.

**Evangelists** - Evangelists are firms who appear to be on an extended honeymoon. The level of 'mindshare' and overall satisfaction is exceptionally high and 'word of mouth' references would be very positive. They may also appear to be past their prime, 'living on old glories' and sceptical of change.

**Stable Pragmatist** - Stable Pragmatist relationships are usually found in fairly established markets and are characterized by co-operation based upon the pragmatic need to overcome the usual operating difficulties that 'go with the turf'.

**Rebellious Teenager** – Rebellious Teenager type relationships are not uncommon, and often represent partnerships where the scale of contribution and performance is important to both firms. They have typically been in existence for some time although Rebellious Teenagers relationships can emerge from less mature partnerships.

**Evolving Pessimist** - Evolving Pessimist relationships exhibit many of the characteristics of No Can Dos (see below). Difficult operating conditions resulting from unstable markets and having to support complex or unreliable products are likely to preoccupy managers. These problems will affect views of the risk and thus relationship investments in infrastructure and people will be hard to justify.

**Captive Shark** - The key descriptor of a Captive Shark is the very high level of commitment. This high commitment is matched by equally high levels of conflict and adversarial behaviour, which leads to low levels of collaboration. The firms are hostage to the partnership and are therefore prone to act opportunistically.

**Cherry Picker** – Cherry Pickers are epitomized by their lack of commitment to the relationship or dependency upon the beneficial outcomes of the partnership. Typically they will be seen as a good and reliable partner with whom there are few major concerns or areas of conflict.

**No Can Do** - Within No Can Dos adversarial conditions are standard and since the opportunities to escape are very slim, they create strong feelings of 'imprisonment' and 'impotence'. A long term lack of co-operation and entrenched opposition to any form of innovation also saps relationship vitality.

**Deserter** - While Evangelists see no 'bad' in the partnership, Deserters see no 'good'. Across all measures their assessment of the relationship is poor. No element of partnership meets with their approval and the extent to which business aims are achieved is minimal; collaboration per-se is almost non-existent.

# STRATEGIC ALLIANCES & MARKETING PARTNERSHIPS

Gaining competitive advantage through collaboration and partnering

RICHARD GIBBS & ANDREW HUMPHRIES

**Isabel Briggs Myers:** *"Whatever the circumstances of your life, the understanding of type can make our perceptions clearer, your judgements sounder and your life closer to your heart's desire."*

**Richard Gibbs:** *"Whatever the circumstances of your business partnership, the understanding of type can make your assessments clearer, your management sounder and your actions better aligned to your objectives."*

For more information visit:

[www.gibbshumphries.org](http://www.gibbshumphries.org)

Or to register for a free seminar please email:

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Strategic Alliances and Marketing Partnerships by Dr Richard Gibbs and Dr Andrew Humphries is published by Kogan Page: [www.koganpage.com](http://www.koganpage.com)

Firms aspire to the benefits of Partnering Excellence, but a lack of management tools and appropriate metrics make the spiral of failure seem inevitable.

The dynamics of business relationships, whether marketing channels, strategic alliances or supply chain partnerships, can be diagnosed and the level of 'mindshare' weighed and measured.

Firms that have focussed on improving their drivers to partnering success have enjoyed significant performance gains.

These partnership drivers combine to describe the eight archetypes; *the Gibbs+Humphries Partnering Types*.

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"As the trend to out-sourcing continues to grow, so too does the complexity of the supply/demand network. The difference between success and failure in today's marketplace is increasingly determined by the way that the interfaces in these networks are managed. New ways of working with supply chain partners are clearly required. In this original and thought-provoking book the authors provide practical guidance as to how relationships in the supply chain can be managed more effectively".

**Professor Martin Christopher, Cranfield School of Management.**

"We all strive to exploit our customer/supplier relationships but, human nature being what it is, we tend to move in slow and incremental steps towards our shared goals often challenged and delayed by mutual distrust and ignorance. The best take bold and imaginative steps but even they need a handrail; this book provides valuable insights into how partnerships can and should develop coherently, logically and with all stakeholders engaged, to achieve that goal of a true 'win-win' outcome."

**Air Vice-Marshal Matt Wiles CBE, Director General Joint Supply Chain, UK Ministry of Defence**