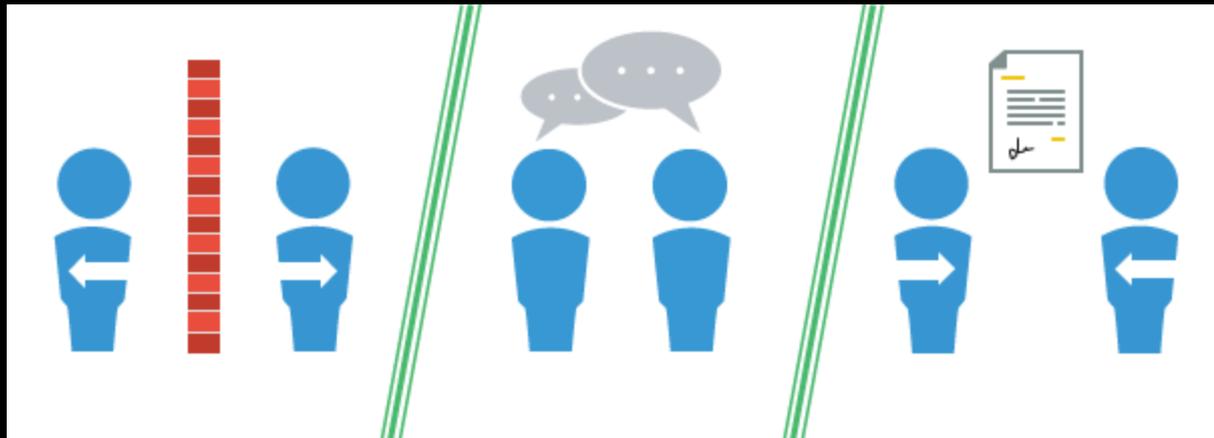


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Alliance by Design:

Notes on Partnerships

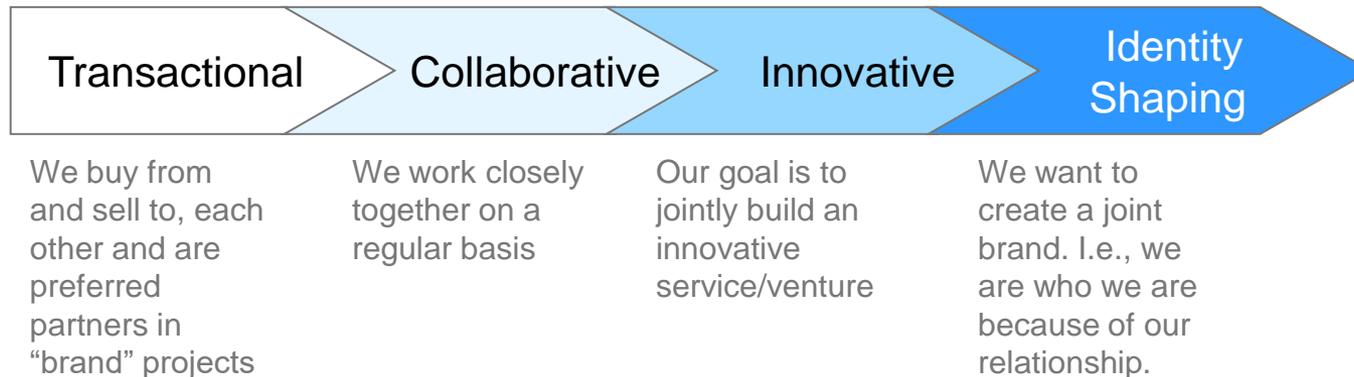
(based on input from Dr. Peter Keen, author of Decision Support System)

The Alliance Process Paradox

The paradox: Much effort at high cost by bright people in partnering organizations yields poor results; most alliances, partnerships and M&As do not achieve their envisioned potential.

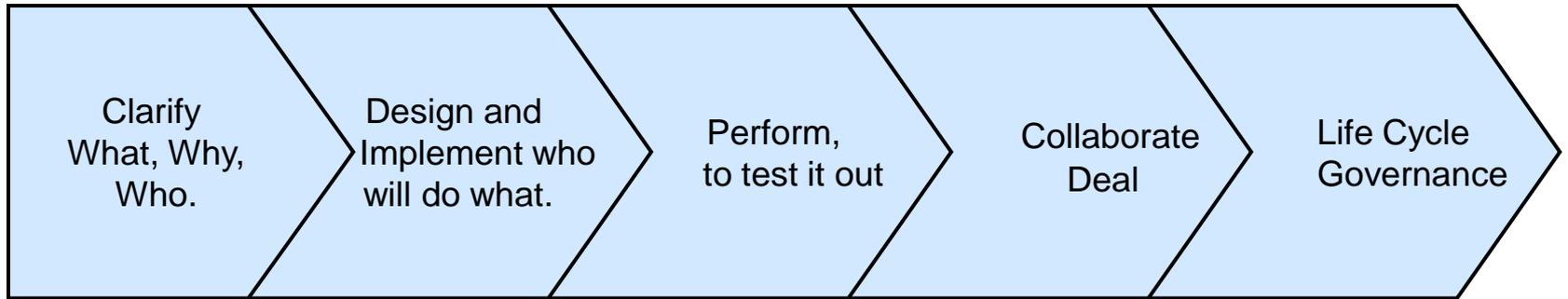
The resolution: Implement an alliance *architecture* and design discipline.

Step 1: Agree on the intended position along the Alliance Spectrum



Each has a different risk/return and trust/contracting trade-off calculus.

Step 2: Progress Through Stages of Alliance Development

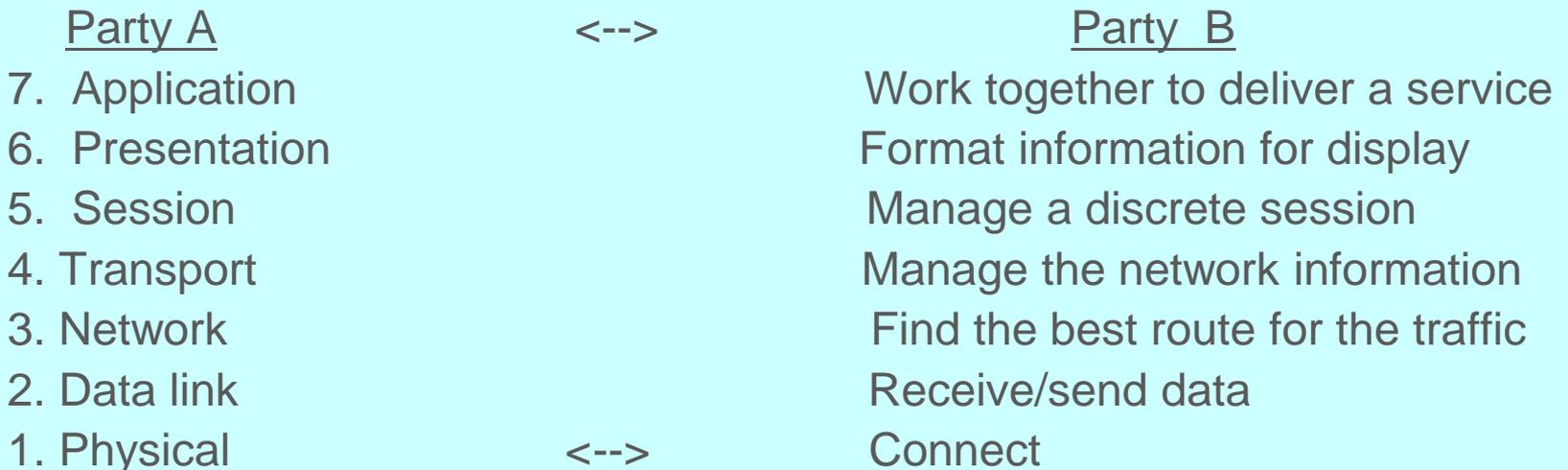


The partnership problem

- Too often alliances are handled as a “deal” with most attention going into the purpose of the partnership and the agreement and sincere talk about collaboration and trust.
- After agreement, representatives of each party independently sets out to get things in their respective organizations.
- A better approach is to set up: a layered Alliance Architecture.

Engineers build systems according to Principles of Architecture

- Hierarchy of independent layers work together, peer-to-peer.
- Engineers design, and systems operate, at each layer without knowing anything about the layers above or below as outlined here:



A good approach is to architect alliances as a stack of layers.

- Think of alliances as *agreements to work together*
- Five layers of working:
- Party A <--> Party B
 5. Life cycle governance
 4. Deal
 3. Collaboration
 2. Performance
 1. Sockets
- The socket layer is key and overlooked -- how and where do we connect our relevant business processes together?

Notes

- Socket layer is the operational core.
- Life cycle governance is the strategic core.
- The deal layer is not the core -- it's the resulting glue not the input.
- No partnership is forever: every alliance needs a careful and realistic assessment of exit conditions.
- Peer-to-Peer Symmetry is key in terms of: symmetric risk, benefit, inputs, knowledge sharing, ownership, and commitment. Symmetry doesn't mean equal; it means *in balance*.

Definition of Alliance

- A firm-to-firm connection that works and stays working as the business environment and the parties' organizations shift, by meeting their mutual interests until there is a mutual agreement to disconnect.
- This translates to: A firm-to-firm socket for business process linkages that works operationally (performance) and stays working (collaboration) as the business environment and the parties' organizations shift, by meeting their mutual interests (deal) until there is a mutual agreement to disconnect (life cycle governance).

The Calculus

	Transactional	Cooperative	Innovative	Identity-sharing
•				
•	Design focus:	Socket	Socket	Socket
•		Performance	Performance	Performance
•		Collaboration	Collaboration	Collaboration
•			Deal	Deal
•				Life cycle
•				governance
•	Self-interest	Contractually	Flexible	Growth-
•		specific	TPA	centered
•	Economic logic	Cost and	Operating	Invention
•		efficiency	improvements	

Questions each party should answer to build a successful alliance:

- Where do we each want this partnership to be positioned along the alliance continuum?
- What is the strategic intent for our alliance?
- What will the customer see and what value will result; will customers see us as allies as BATNA (the best alternative to no alliance)?
- Where are the sockets?

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For more information contact
intelliven@intelliven.com

Thank you.

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