

Alliance Best Practice 
Standing on the shoulders of giants



Alliance Sales Best Practices Benchmark Report

Alliance Best Practice Ltd

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Executive Summary / Key Takeaways

The key points in this annual research report are as follows:

- The prime function of alliances in the High-Tech sector is increased sales.
- The proliferation of ever more complex propositions and the dynamic nature of the high-tech market make alliances crucial to sales growth.
- Alliance sales are the result of an effective and appropriate alliance relationship.
- Best practices in alliance sales exist.
- Alliance salespeople who follow a best practice approach achieve higher levels of alliance sales.
- An alliance sale is a 'sell with' model not a 'sell to' or a 'sell through' model.
- Using a 'sell to' or a 'sell through' model in an alliance sales scenario is a mistake and will damage the collaborative relationship.
- Opportunism might get you one or two sales but it won't achieve scalability in your relationship with your partners.
- To scale successfully you need an alliance sales process.
- The best alliance sales processes are those which are developed with or fully accepted by the partner.
- Alliance sales potential can be measured in advance of action.
- The role of an alliance sales manager is still largely misunderstood by companies and as a result undervalued and under resourced.
- Companies are stripping out regional alliance sales structures.
- An alliance sale is typically a strategic sale and companies are underinvesting in strategic sales.
- The characteristics and behaviours of effective alliance sales executives are different from those of effective direct sales executives.

Background / Benchmark Methodology

Alliance Best Practice Ltd (ABP) has been researching alliances, partnerships and collaborations since 2002. In that time, we have benchmarked literally hundreds of alliance relationships and the sales outcomes of those relationships. Throughout this time our research methodology has changed very little (although it has become increasingly sophisticated). The process is based on modelling alliance sales excellence as follows:

1. Find a commercially successful business to business alliance relationship.
2. Interview the key stakeholders in the relationship on both / all sides to identify those things that have made the relationship successful (Success Factors).
3. Capture the recurring success factors and benchmark them against other similarly successful alliance relationships.
4. Identify those success factors that consistently lead to commercial success (Common Success Factors).
5. Benchmark alliances based on the identified Common Success Factors and compare with degree of commercial success.

Companies Benchmarked

Our grateful thanks go to the following companies who contributed to this research report:

Accenture, Alcatel Lucent, Apple, AT+T, Atos, Avaya, Bearing Point, Bell Canada, BT Global Services, BT Wholesale, Capgemini, CGI, Ciber, Cisco, Cognos, Computacenter, Csiper, Delaware, Dell, Deloitte, EMC, Ericsson, Everis, Exact Software, Equifax, Experian, Fujitsu, Genesys, Hitachi Consulting, HP, HPE, IBM, Infor, Intel, KPMG, Lenovo, McAfee, Micro Focus, Microsoft, Motorola, NEC Computers, Nokia, O2 Telefonica, Oracle, SAP, SAS Institute, T Mobile, Tata Communications, Tata Consulting Services (TCS), Telus (Canada), Unisys, Verizon, Vodafone, Wipro, Xerox, and Xerox Services.

Research Findings

The following are consistent findings over the last 18 years:

- The quality, effectiveness and efficiency of the relationship is a paramount indicator of commercial value. In other words, the better the relationship the better the commercial outcomes.
- 'Better' alliance relationships tend to have the following characteristics:
 - Strong senior executive support on both / all sides.
 - Clarity in the Go to Market (GTM) commercial model.

- A high degree of integration between the sales team on both / all sides of the relationship.
- A vision for the relationship which transcends individual opportunities.
- A high degree of trust.
- There are five areas of ‘alignment’ which are important in strategic alliance relationships: Commercial, Technical, Strategic, Cultural, and Operational.
- Whilst still important Technological factors are increasingly less likely as an indicator of success. Currently clients are assessing the quality of the joint sales propositions from vendors with a particular focus on the ability of each / all sides to collaborate effectively for the benefit of the client. In other words, clients are paying more attention to Cultural factors.
- Alliance salespeople who follow a best practice approach achieve higher levels of alliance sales. This has been observed time and again but recently several organisations (e.g. Oracle, SAP, Accenture and Capgemini) have started to examine this phenomenon and therefore pay more attention to credible alliance sales training.
- An alliance sale is a ‘sell with’ model not a ‘sell to’ or a ‘sell through’ model.
 - **Sell With** - Active participation from both sides, sharing of key prospect data, clarity in the relative roles of both parties, need to collaborate to win the sale.
 - **Sell To** - Earliest and simplest sales model typically one seller and one purchaser (buyer). Useful in relatively simple transactional sales situations but increasingly inappropriate in high value complex enterprise sales.
 - **Sell Through** - Typically a channel sales model. One of the partners provides a channel to market for the goods and / or services of the other and (usually) takes some form of payment for the access.
- **The Problem with Sell With** - If an alliance executive uses a sell with model then the alliance executive is acting like a vendor and accordingly will be treated as such. The partner target is likely to take the attitude. “Thanks for your sales pitch you clearly have a good product / service. If we have a need for your services in the future we will contact you”. Worse yet if the target partner does have a need for the services it is likely to be when the sales opportunity has already closed and the resulting negotiation becomes very adversarial rather than collaborative.

- **The Problem with Sell Through** - The problem with a sell through model was articulated very clearly in a meeting that ABP attended between IBM and one of their key partners. The partner was trying to persuade IBM to use a sell through methodology from a well-known channel enablement company. IBM’s response was: “IBM is nobody’s channel to market other than IBM”. Increasingly this is the reaction of many global technology companies particularly GSI and advisory companies.
- Alliances are typically a strategic sales model. By that we mean that the prime focus is not on individual opportunities alone, but rather on growing the alliance relationship to increase the number, scale and scope of the opportunities created by the activities of both / all parties to the relationship. The mistake that many alliance sales executives make is in chasing individual opportunities themselves rather than creating a system the delivers potential opportunities to other (and usually local) sales managers. In short, if you want to grow your alliance sales effectively and in a predictable manner then you need a system or a methodology to do so. In every case that ABP has been able to examine we have found the following (logical) causal relationship:
 - Alliance System in Existence = Higher alliance sales volumes in more geographies and at higher deal sizes.
 - No Alliance System in Place = Lower volumes of alliance sales and lower typical deal size.
- This has an implication in the type of person that would typically be an effective alliance sales executive rather than a direct sales executive. The key differences are highlighted in the table below but in short it means that an alliance sales executive is first and foremost a relationship builder from which alliance sales flow. A direct salesman on the other hand is typically focused on individual opportunities and successfully converting those opportunities into large deals.

| Alliance Sales Executive | Direct Sales Executive |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ▪ Shares information to ensure key stakeholders from both partners are fully informed. ▪ Seeks consensus around the alliance sales process. ▪ Most critical interaction is with the partner organisation | <ul style="list-style-type: none"> ▪ Opportunity focused ▪ Keeps information to themselves because it is valuable in the sales process ▪ Most critical interaction is with the customer ▪ Uses a standard enterprise sales methodology dictated by the company |

A valuable lesson here is: if you want to scale your alliance sales volumes then you need to adopt a methodology acceptable to your partner which delivers additional valuable sales to the partner. In other words, a common and jointly agreed alliance sales process.

- ABP research has shown a strong causal link between the existence and effectiveness of CSFs and the commercial value of the relationship. This leads to a valuable insight which is the identification of alliance sales potential in a relationship. This point may best be explained by using an example thus:

Imagine two alliance relationships one produces alliance sales of £1 million per year and the other produces £5 million alliance sales per year. Which is the most valuable?

Given the information produced so far it is obvious that the answer is the relationship that produces £5 million is more valuable.

But what if the relationship producing one million has a 30% alliance best practice score and the relationship producing five million scores 70%? Now it's clear that the relationship with the greater potential for growth and therefore the one with the highest alliance sales potential is actually the one that scores 30% rather than the one scoring 70%.

The reason is that it will be a lot easier to improve the relationship score from 30% to 60% (a 200% increase) than it will to improve the relationship from 70% to 80% (a 14.25% increase).

Now let's look at the commercial impact of this insight. A 200% increase on a base of £1 million is (obviously) £2 million. Which is a £1 million increase in new business. But an increase of 14.25% on a base of £5 million is only £712,000 of new business.

This means that alliance executives can use the alliance best practice system to identify relationships with high alliance sales potential and focus their limited resources and efforts on those partners accordingly. In the example above for example it is likely that in practice the relationship producing £5 million would receive more attention and resources rather than the relationship producing £1 million. Even though the greater new sales gains can be had from the £1 million relationship.

Full List of Alliance Best Practices

The research conducted by ABP has revealed a set of alliance best practices. In other words, a series of success factors that repeat regularly in commercially successful alliances.

These best practices can be categorised as one of five types as follows:

Alliance Sales Best Practices

| Commercial | Technical | Strategic | Cultural | Operational |
|--------------------------------------------|-------------------------------------------------|-------------------------------------------|--------------------------------------|-------------------------------|
| Co1 Joint Business Value Proposition (BVP) | T11 Valuation of assets | S20 Shared objectives | Cu31 Business to business trust | O39 Alliance process |
| Co2 Due Diligence | T12 Partner company market position | S21 Relationship Scope | Cu32 Collaborative corporate mindset | O40 Alliance Audit |
| Co3 Optimum Legal / Business Structure | T13 Host company market position | S22 Tactical and strategic risk | Cu33 Collaboration skills | O41 Revenue flow |
| Co4 Alliance Audit | T14 Market fit of proposed solution | S23 Risk sharing | Cu34 Dedicated alliance manager | O42 Business plan |
| Co5 Key metrics | T15 Product fit with partners offerings | S24 Exit strategies | Cu35 Alliance centre of excellence | O43 Communication |
| Co6 Alliance reward system | T16 Identified mutual needs in the relationship | S25 Senior executive support | Cu36 Decision making process | O44 Health check |
| Co7 Commercial cost | T17 Process for team problem solving | S26 B2B Strategic alignment | Cu37 Other cultural issues | O45 Alliance charter |
| Co8 Commercial benefit | T18 Shared Control | S27 Fit with strategic business path | Cu38 B2B Cultural Alignment | O46 Change mgt. |
| Co9 Process for negotiation | T19 Partner accountability | S28 Other relationships with same partner | | O47 Operational metrics |
| Co10 Expected Cost value ratio | | S29 Common strategic ground rules | | O48 Operational alignment |
| | | S30 Common vision | | O49 Exponential breakthroughs |
| | | | | O50 Internal alignment |
| | | | | O51 Project plan |
| | | | | O52 Issue escalation |

From the full set of alliance best practices, a further subset of best practices specific to alliance sales can be derived with 5 key CSFs in each of the 5 identified categories. ABP has come to describe this grouping as an Alliance Sales Balanced Scorecard.

Best Practices in Alliance Sales

The full list of alliance sales best practices therefore looks like this:

| Commercial | Technical | Strategic | Cultural | Operational |
|--------------------------------------|-------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------------------------------|
| Co1 Business Value Proposition (BVP) | T14 Market fit of proposed BVP solution/s | S21 Relationship Scope | Cu31 Business to business trust | O39 Alliance process |
| Co5 Key metrics | T15 Product fit with partners' offerings | S25 Senior executive support | Cu33 Collaboration skills | O42 Joint business plan |
| Co6 Alliance reward system | T16 Identified mutual needs in the relationship | S26 B2B Strategic alignment | Cu34 Dedicated alliance manager | O45 MOUP or Alliance Charter |
| Co7 Commercial cost | T17 Process for joint problem solving | S29 Common strategic ground rules | Cu36 Decision making process | O47 Operational metrics |
| Co8 Commercial benefit | T19 Partner accountability | S30 Common vision | Cu38 Business to Business cultural alignment | O48 Business to business operational alignment |

Changes Since the Last Report

The following are the key insights since the last annual report:

- David and Goliath alliances have become more important. The increased demand from global clients for innovation is driving the need for larger high tech companies to partner with smaller more agile and more disruptive new entrants. These large company and small company alliances have come to be called David and Goliath alliances.

David and Goliath alliances carry their own specific problems, but chief among these is the cultural difference between the two companies in terms of: span of control, speed of decision making, attitude to risk, governance and management control.

Most Global System Integrator (GSI) and global advisory companies (e.g. Accenture, Capgemini, IBM, HPE, KPMG, PwC, EY, etc.) have started their own incubator alliance programmes or scale up programmes targeting these smaller 'David' type companies.

- Alliance executives are now increasingly measured on 'hard' alliance sales targets rather than 'soft' MBO type measures. This trend has been growing for several years but the trend now seems to be confirmed by the typical change in title from Alliance Manager to Alliance Sales Manager.
- Alliances have become increasingly sophisticated in nature. Strategic no longer means 'aged' or large but rather has come

to mean important for the business. These new types of alliances can be categorised as “Agile Alliances” and can provide exponential growth for savvy software companies able to engage with larger partners quickly and effectively. See for example the explosive growth of companies in the Robotic Process Automation (RPA) space like: Blue Prism, UiPath and Everything Everywhere.

- Alliances for innovation and agility have grown markedly in the last 12 months. Innovation has always been a key strategic goal for many companies however it has assumed higher importance over the last 18 months in direct response to client / customer demand for new products, features or services. In addition, companies have come to recognise the importance of alliances in creating organisational agility and the ability to enter new markets or produce new products or services more quickly and more effectively than would otherwise be the case.
- Collaboration is increasingly seen as a necessary precursor for business strategies involving: innovation, agility, creativity, new market entry, etc.
- The role of alliances in the sales process is still largely misunderstood by companies and as a result undervalued and under resourced. ABP has observed this on a number of occasions in conversations with Chief Alliance Officers (CAOs). Typically, these individuals have a hard job convincing their own internal colleagues as to the need for partners and an even greater challenge in securing recognition for partner introduced new sales. Partly this is as a result of companies’ inability to significantly differentiate between partner introduced business and direct business secured by the firm’s own salesforce. This in turn leads to internal channel conflict between direct sales people and alliance sales people.
- Companies are stripping out regional alliance sales structures. ABP has observed a large number of companies stripping out regional alliance teams in 2019 (e.g. EMEA, Asia Pac, LatAm, etc.). The logic is that the alliance function needs to be ‘closer to the customer’ and therefore placed in individual countries under the jurisdiction of a country general manager. As a result, the country general manager demands alliance sales in his or her individual country and is not interested in developing a relationship with partners outside of that boundary. This means that significant global growth becomes difficult due to the fragmented nature of the alliance relationship. In the worst examples of this, corporate alliance managers located at head office can be observed spending all their time travelling to individual countries to try and increase / improve the local instance of alliance relationships with selected global partners. In many cases these initiatives are doomed before they begin because they depend on local support which is not forthcoming.

Note: This research was conducted in Q4 2019 and Q1 2020 before the impact of COVID-19 could be properly assessed.

- An alliance sale is typically a strategic sale and companies are underinvesting in strategic sales. There is no doubt that times have got tougher for enterprise sales executives. The days when such an individual could spend months (if not years) carefully and painstakingly developing a large opportunity have long gone. Today's enterprise sales executives are judge on a quarter to quarter basis. This provides alliance sales managers with a significant challenge because to be successful they need to establish and build up the relationship first before the pipeline builds and sales start to flow. This problem is allied to the issue identified above regarding the dissolution of regional teams. Increasingly these days alliance managers are being located 'in country' and their salary budget is being covered by the country general manager. This individual has harsh sales targets and as a consequence wants all his salesmen and saleswomen working on existing opportunities rather than developing new ones for the future. One of the major consequences of this is that the country general manager changes the alliance manager's role from alliance sales to direct sales.

Implications for Alliance Executives

ABP believes that there are a number of key implications for alliance sales executives as follows:

- To increase the amount and quality of alliance sales follow a best practice approach.
- Train alliance sales executives so that they know what the best practices are and can apply them appropriately in practice.
- Benchmark your alliance relationships annually to be able to identify individual alliance strengths and weaknesses.
- Observe and publicise the causal connection between alliance relationship quality and the level of alliance sales.
- Manage fellow executive expectations to understand that an alliance sale is a strategic sale and relies for its value on the creation and exploitation of new business development.
- If you are not doing so already, start an incubator alliance programme to offer innovation and agility to your clients / customers through partnership with smaller more agile partners with innovative offerings.
- Develop a common alliance sales process with partners or adopt the industry standard VST approach.

- Secure a clear definition from your organisation of an alliance sale (as opposed to a direct sale) and report regularly on your actions which have increased the alliance sales numbers.

About Alliance Best Practice Ltd (ABP)

ABP is a highly experienced international business-to-business strategic relationship advisory firm offering: consulting, coaching and training. We specialise in strategic alliances and help our clients develop and execute alliance best practice programmes.

ABP has consistently espoused the virtues of best practices in strategic relationship instigation and management and it was this approach that inspired an on-going research programme into the critical success factors of successful business to business relationships.

To date over 300 of the world's leading relationship management organisations in: Europe, the USA, Australia and India have benchmarked themselves against ABP's best practice database which has resulted in the development of a highly-detailed knowledge base of over 200,000 entries.

This database allows ABP to offer its clients insights into on-going best practices in strategic alliances.

We welcome contributions from anyone who would like to submit research for consideration into the database or from organisations that would like to be benchmarked. Please direct all enquiries in the first instance to mike.nevin@alliancebestpractice.com or info@alliancebestpractice.com if you would like further insights from the database please visit our website at www.alliancebestpractice.co.uk