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GROWTH TEAM MEMBERSHIP™

GROWTH PROCESS TOOLKIT

Strategic Partnerships

Accelerating Growth through Principled Partner Selection and Proactive Relationship Management

SPECIAL THANKS

Frost & Sullivan's Growth Team Membership would like to thank the following individuals who generously contributed their time and insights to the development of this toolkit:

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INTRODUCTION

Defining Strategic Partnerships
When a company assesses its resources and capabilities, it may discover gaps between what it aims to achieve and what it realistically can achieve. It may then fill those gaps by allying itself with an outside organization. That alliance might take the form of a straightforward, transactional agreement, a highly complex acquisition, or something in between. That "in between" is the subject of this Growth Process Toolkit: strategic partnerships.

Strategic partnerships refer to any relationship between separate companies that involves shared contributions, ownership, and control (short of a joint venture, merger, or acquisition, as discussed further below). They work best when each participant seeks to augment its existing capabilities with the resources of the other, creating a synergy that enables the organizations to deliver a unique offering that they could not provide on their own. In sum, they grant a company access to new capabilities that allow it to become more competitive.[1] The following graphic differentiates between strategic partnerships and its cousins: transactional agreements, joint ventures, and M&A:

COLLABORATION CONTINUUM

	Transactional Agreement	Strategic Partnership	Joint Venture	M&A
Goal	• Access a specific, readily available capability through a contract with a third party	• Create shared value through combined risk, funding, and resource contributions	• Combine assets to establish a separate business entity	• Assume ownership of another company's IP, capabilities, resources, and talent
Characteristics	• Minimal collaboration • Specific goals • Finite commitment	• Long-term commitment • Reciprocal relationship • Shared strategy	• Long-term (but finite) commitment • Each company maintains its own business operations and continues to exist apart	• Permanent, legally binding arrangement • One organization formally cedes control to the other (in most instances)
Example	UNITED COLORS OF BENETTON. Small-shop Italian textile manufacturing companies	APPLETON What Ideas Can Do; P&G	NUMMI; TOYOTA; GM	Kellogg's; Keebler

Cost; legal and integration complexity

Low → **High**

Growth through Strategic Partnerships
If executed successfully, strategic partnerships can deliver access to new markets or customers, accelerate new product development cycles, and improve a company's competitive positioning. They help companies expand their capabilities without the added step of creating those capabilities in-house.[2] Companies therefore perform more efficiently and adapt more quickly than they would on their own.

Given these advantages, it is no surprise that strategic partnerships are increasingly a centerpiece of corporate strategy. Many companies commit more than 20 percent of their assets to developing and managing partnerships, while others depend on partnerships for 30 to 50 percent of their research expenditures or annual revenues[3]. A recent Frost & Sullivan survey underscores this trend: more CEOs cited strategic partnerships as their number-one growth strategy than any other (eclipsing new product launch, geographic expansion, and other traditionally favored strategies).[4] Part of the reason for this trend may be the uncertain economy: strategic partnerships represent a path to accelerated growth, but without the cost, risk, or complexity associated with M&A.

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The Risks of Strategic Partnerships
Although strategic partnerships present myriad growth opportunities, success is by no means a given. Studies indicate that between 30 and 70 percent of alliances fail (that is, do not meet the goals of the parent companies, or end up being "paper partnerships" and not real collaborations that produce meaningful results).[5] Furthermore, the cost of repairing or terminating an unsuccessful partnership can be high; some of these costs are listed below.[6]

- Losses incurred through a partner's underperformance
- The opportunity cost of executives' time spent managing a troubled partnership
- Job dissatisfaction, lost productivity, attrition
- Mediation, arbitration, or litigation costs
- The expense of exiting the partnership

Therefore, while companies may pursue strategic partnerships as a means to achieving growth targets and expanding capabilities, the reality is that partnerships often fail to deliver their expected value—and may drain companies of valuable resources in the process.

Where Strategic Partnerships Go Wrong
Given that M&A and strategic partnering share many similarities, it is perhaps unsurprising that many of the reasons cited for partnership failure are similar to those cited for acquisitions that yield disappointing results. In both cases, executives point to poor integration as the primary cause of unsuccessful transactions—blaming a lack of people and skills, a plethora of internal challenges, and cultural friction for the enterprise's demise.[7,8] Although integration effectiveness is directly linked to a partnership's likelihood of success, a singular focus on integration presents a distorted view of what really determines a partnership's performance.

Frost & Sullivan's Growth Process Toolkit for M&A argues that companies often overlook the importance of conducting rigorous upfront research and due diligence that, if executed properly, lay the foundation for a successful merger or acquisition; companies are equally guilty of such an oversight when undertaking a strategic partnership. Although a disciplined, unbiased partnership strategy and selection process can improve the odds of a happy collaboration, many companies fail to invest in these activities and therefore succumb to the following pitfalls:

Pitfall #1: The Need for a Partner Goes Untested
Given that partnering often presents a more direct path to growth than in-house capability development would allow, many executives automatically conclude that a partnership is the appropriate strategy for their organizations—without considering where on the spectrum (illustrated on page 4) their needs really lie. Is a partnership right for our company? Would we be better off in the long run if we built our desired capabilities in-house? Would a partnership strengthen or undermine our competitive position over time? Answers to these questions not only help companies avoid the pitfall of pursuing a partnership for the wrong reasons; they also help articulate the specific goals that a partnership should accomplish (a pitfall discussed next).

Pitfall #2: Partnership Goals Go Unarticulated[9]
Too often, executives pursue a partnership, sign the deal, and only then realize that its purpose has never been articulated or contextualized within the company's larger growth strategy. Such non-linear thinking is a pervasive cause of partnership failure. Indeed, a recent study found that a lack of understanding of the partnership's "goals, scope, or roadmap" was the number-one cause of failure during the first hundred days.[10]

Pitfall #3: Partner Incompatibility Goes Unnoticed (Until It's Too Late)[11]
Many executives screen potential partners in exclusively financial terms, ignoring such critical compatibility factors as company size, culture, strategy, governance mechanisms, willingness to collaborate, and trust between partners. While partners might engage for financial reasons, they will often dissolve the relationship because of misalignment in these other critical areas.

This pitfall is closely linked to the one above (if you don't know what you want, how will you know what to look for?). An inability to screen properly for partner fit can lead to significant and costly integration challenges once the deal is complete—so a clear definition of compatibility is crucial to ensuring partnership success.

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Where Strategic Partnerships Go Wrong (Continued)

Pitfall #4: Partnership Bolsters Weaknesses (And Does Not Play to Strengths)[12]
As noted previously, strategic partnerships work best when each participant acquires desired capabilities from the other. Ideally, the value transfer is proportionate, with each side perceiving its return as greater than its investment. Companies may fail to attain this level of collaboration if:

- *One partner is stronger than the other*—If the more powerful partner receives fewer capabilities from its counterpart, its interest in the partnership may wane, thereby putting a strain on the weaker partner (whose future is often tied to the continued success of the partnership).

- *Two weak partners become codependent*—Companies struggling on their own often continue to struggle in a partnership—and if the relationship begins to suffer as a result of this instability, neither company can provide the needed capital, resources, or agility to resolve the situation.

This is not to suggest that only equally strong companies should pursue partnerships (indeed, partnerships between organizations of differing stability or size are often successful, strengthening each without undermining the other). However, the above caveats emphasize the importance of equivalent give-and-take—as well as the importance of selecting the right partner. The following case example demonstrates how Volvo and Renault's partnership ultimately dissolved due to poor partner fit, strategy articulation, and oversight:[13]

Case-in-Point: Volvo and Renault's Partnership Misadventure

A Promising Start
In 1990, Volvo and Renault entered into a strategic partnership that integrated the two organizations' development, purchasing, and marketing efforts. To ensure the partnership's success, the firms created a complex set of governance and management groups that were to coordinate activities and preempt conflicts. Since Volvo and Renault already had a track record of 20 years of industrial cooperation, most analysts applauded the alliance's scale, objectives, and structure.

Cracks in the Foundation
While the partnership was ostensibly created from a set of shared financial objectives, each organization possessed its own (unarticulated) goals for the partnership. Volvo sought a long-term collaborator, while Renault viewed the alliance as a precursor to an eventual acquisition. As this underlying tension became apparent, conflicts began to arise between the two firms. When Renault officially pushed for a full merger, Volvo's Executive Chairman, Peter Gyllenhammar, resisted by requiring quick decisions and limiting information-sharing with Renault. These acts further undermined the partnership's productivity and performance and initiated a string of events that eventually dissolved the relationship, nearly bankrupted Volvo, and ousted Gyllenhammar and many senior managers from the company.

Hindsight is 20/20
In spite of the best of intentions and a strong case for partnership, this alliance was doomed from the outset for a variety of reasons, several of which are listed below.

- *Uneven commitment to the partnership*—Partnership commitment and trust did not extend through the entire organization. Although the CEOs from each company maintained a close relationship, middle managers were less inclined to work together.
- *Unspoken intentions*—Renault's aspirations for the partnership were never fully discussed. Each partner assumed it was in full alignment with the other and only realized after the fact that they were committed to divergent growth strategies.
- *Incompatible cultures*—The French and Swedish companies were never able to overcome language, cultural, and geographic barriers in the interest of achieving a fully integrated partnership.

In the end, each organization applied its lessons learned to future partnerships that would prove more successful. Volvo eventually entered into an agreement with Ford, while Renault pursued a more openly controlling relationship with Nissan (that precipitated the Japanese company's eventual takeover).

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The Solution
As noted previously, successful partnerships are based on a clear growth strategy, tight partner alignment, and shared capabilities. Successful organizations understand that integration challenges can be offset by conducting rigorous opportunity analysis and partner due diligence. Importantly, they understand that partnerships should play to their strengths, and they do not allow their growth strategies to become overly dependent on the performance or commitment of a single partner.

The following case example demonstrates how Appleton took a principled approach to partner strategy and partner selection, with positive results:[14]

Case-in-Point: Appleton Papers and P&G's Happy Marriage

Facing stagnating demand within its existing market, chemical and paper products manufacturer Appleton Papers began a search for new markets that fit with the organization's core capabilities and growth strategy. To manage this search, Appleton developed a structured process for identifying and commercializing new growth opportunities by:

- Conducting internal and external interviews focused on defining Appleton's competitive advantages
- Assessing the fit between its product offerings and untapped demand in new markets
- Prioritizing the most promising opportunities through an objective scoring system
- Weighing the growth and revenue potential of each potential market against Appleton's core capabilities

As a result of these due diligence exercises, Appleton eventually identified a close fit between its core capabilities and opportunities in the fabric softener market. To pursue these possibilities, Appleton developed a strategic partnership with Procter & Gamble focused on product innovation tailored to this market.

Importantly, Appleton understood that a successful strategic partnership would flow organically out of insights gleaned through the above process. It did not force an alliance and only pursued opportunities that (1) fit within the organization's larger growth strategy, and (2) granted Appleton access to promising opportunities that, without a partner, the organization would not have been able to pursue.

Ultimately, this approach to strategic partnership development—focused on a single opportunity, backed by significant resources and a solid business case—produced positive results for Appleton. The organization was able to access new markets and reinvigorate growth in its product line without straying too far from what it does best. Furthermore, Appleton executives established a repeatable process for evaluating growth opportunities and accompanying strategic partners, thereby improving the approach over time.

Click here to access a companion Best Practice Guidebook further detailing Appleton's strategic partnership development process.

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INTRODUCTION (CONTINUED)

How Should You Approach Strategic Partnerships?
Frost & Sullivan structures the strategic partnerships development and management process around the phases listed below.

THE FOUR PHASES OF STRATEGIC PARTNERSHIPS

PHASE	DESCRIPTION
CAPABILITY ASSESSMENT	Unbiased identification of your company's unique strengths; assessment of critical capability gaps
MARKET DUE DILIGENCE	Systematic identification of high growth opportunities within a market; determination of which opportunities could be best pursued through a strategic partnership
PARTNERSHIP FORMATION	Screening and evaluation of best-fit partners to take advantage of market opportunity; partner negotiation and contract finalization
PARTNERSHIP MANAGEMENT	Assessment of partner's performance and partnership's continuing viability

On a final note, many factors influence a company's approach to strategic partnerships (such as M&A, vertical market or geographic expansion plans, innovation efforts, distribution channels, or competitive strategy), which are not covered comprehensively in this toolkit. For this reason, we provide a wealth of resources focused on these activities in companion Growth Process Toolkits, which you can access by clicking on the links below.

- *Mergers & Acquisitions: Accelerating M&A Growth through Early-Stage Planning and Evaluation*
- *Geographic Expansion: Accelerating Growth through Principled and Repeatable Entry Strategy*
- *New Product Development: Accelerating Growth through Unbiased and Rigorous Early-Stage Product Evaluation*
- *New Product Launch: Accelerating Growth through Rigorous Planning, Principled Execution, and Continuous Monitoring*
- *Competitive Strategy: Accelerating Growth through Principled and Informed Competitive Decision Making*
- *Distribution Channel Optimization: Accelerating Growth through Rigorous and Unbiased Partner Evaluation, Selection, and Monitoring*
- *Vertical Market Expansion: Accelerating Growth through Principled Market Opportunity Evaluation and Entry Strategy Development*

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GROWTH TEAM MEMBERSHIP™

HOW TO USE THIS TOOLKIT

Growth Process Toolkit

Strategic Partnerships

HOW TO USE THIS TOOLKIT

The Growth Process Toolkit for Strategic Partnerships

What it is: This toolkit will help you structure your approach to strategic partnerships strategy around determining the need for a partnership in the first place, assessing your company's core capabilities, identifying promising market opportunities, and building partnerships that deliver capabilities that allow your organization to pursue those opportunities. It will show you how to support your company's top-line growth objectives by grounding strategic partnership decisions in unbiased screening, selection, and deal negotiation, ensuring pursuit of only the best-fit opportunities.

On a more technical level, this Growth Process Toolkit presents Frost & Sullivan's best work on strategic partnerships in a step-by-step implementation format. This resource gives Growth Team Membership (GTM) members proven processes, tools, and templates to help them successfully manage the risks and pitfalls encountered in this key growth process.

How it will help you: This toolkit will help you and your team develop a successful and repeatable model for evaluating and pursuing strategic partnership opportunities. As noted previously, we recognize that your pursuit of strategic partners may be strongly influenced by factors such as vertical market entry or geographic expansion. These and other topics are explored in companion growth process toolkits and are listed on the previous page. This toolkit focuses more specifically on how to select and engage with a strategic partner, irrespective of its context within a larger growth strategy (i.e., these resources are equally relevant for a company pursuing a partner for technology development support as it would be for one focused on market entry).

How to use it: This book is divided into four sections: Capability Assessment, Market Due Diligence, Partnership Formation, and Partnership Management. Within each section, we have outlined a variety of steps that you should complete. For each of those steps, you are provided with the tools (such as templates, scorecards, or checklists) that you need to complete that activity to a Frost & Sullivan standard. You can read this toolkit cover-to-cover, or you can reference the clickable table of contents to access specific sections.

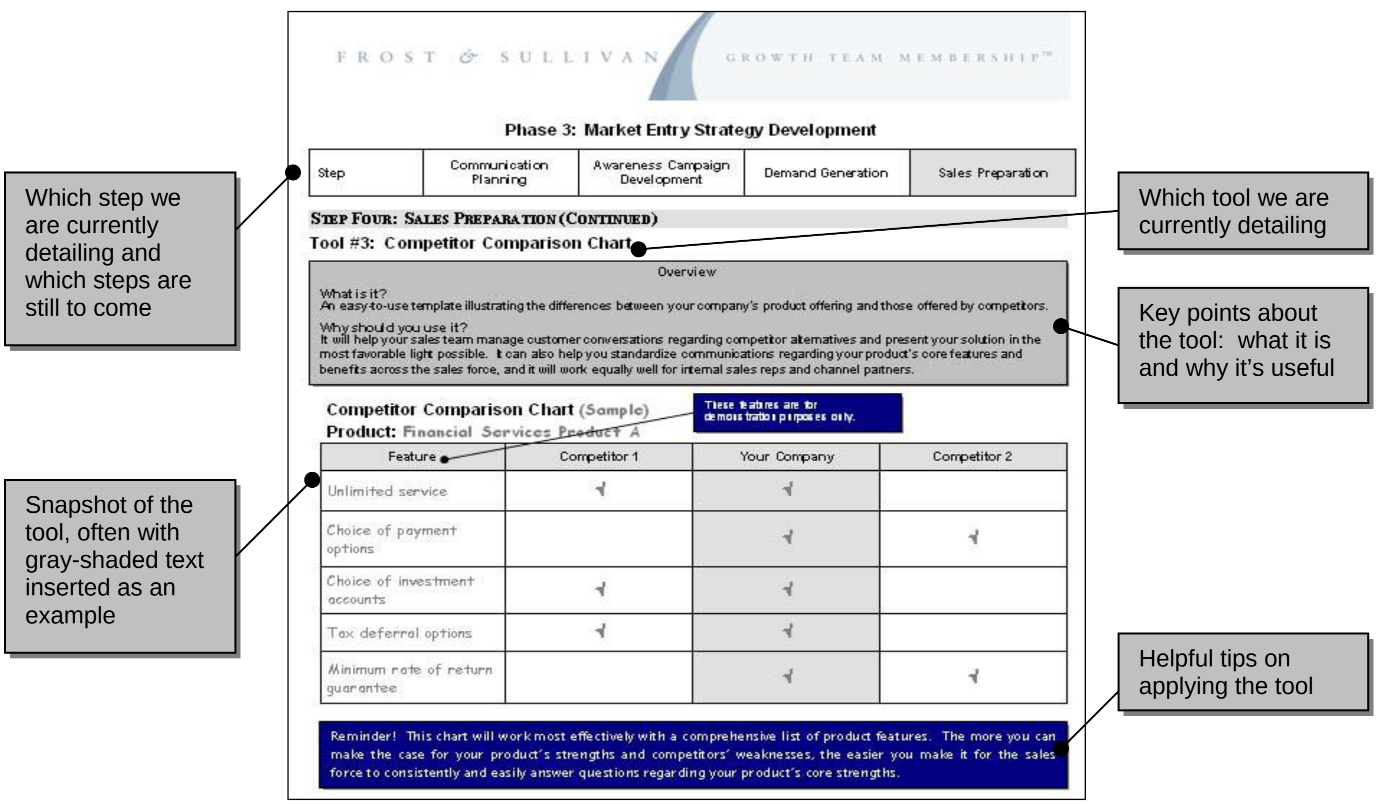
Be on the look-out for helpful reminders throughout this toolkit. We will alert you at key stages when you should involve certain stakeholders, or when it might be a good idea to use additional GTM (or other) resources to aid your implementation.

We encourage you to bookmark this toolkit, save particularly helpful tools to your desktop, and share it with your colleagues. We also encourage you to contact your Account Executive if at any point in your research you require assistance.

The Growth Process Toolkit's Organization and Layout

For ease of navigation, the majority of activities and tools featured in this toolkit adhere to the following template:

SAMPLE PAGE LAYOUT



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PREFACE: SECURING ORGANIZATIONAL ALIGNMENT

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Tool #1: Goal Statement Template

Overview

What is it?
A discussion guide to help the executive team articulate its company's goals for pursuing growth through strategic partnerships.

Why should you use it?
This tool will help you ensure the following:

- *Agreement among the executive team* – While you may believe your executive team to be on the same page about strategy and vision, this perception may in reality be off-base. Consensus on goals and expectations at the outset of any activity is a good idea – but even more so when navigating waters as risky or complex as strategic partnerships.
- *Focus on activities that align with the stated purpose* – Shared commitment to the Goal Statement will help the executive team be clear about goals and the boundaries for achieving those objectives. Agreement on how to handle all strategic factors will ensure the team approaches strategic partnership-focused decision making with a shared clarity of purpose.

Use this as a living document – something that you can revisit whenever you need to refocus team members on shared objectives.

GOAL STATEMENT: TEMPLATE **COMPANY NAME**

Vision: What are we trying to do?

(a) What is the goal we are trying to achieve?

(b) Can we achieve this goal without pursuing a strategic partnership?

(i) IF YES: Is a partnership still a more viable alternative for our company than internal capability development, acquisition, or procurement of needed services / products on the market? Why?

(ii) IF NO: How would a strategic partnership support our goal? Why is this the right time to pursue a partnership?

(c) Which groups in the organization are responsible for delivering on our objective?

(d) What are the decisions we as an executive team must make in support of this objective?

(e) Given these specific decisions, what must this effort produce as output?

Justification: Why do we want to do it?

(a) What external factors have compelled us to pursue strategic partnerships? (Are we struggling to develop innovative new products? Have we relinquished market share to a competitor? Have customer preferences evolved in a way that does not favor our existing capabilities? Are we feeling pressure from shareholders?)

(b) What internal factors have compelled us to pursue strategic partnerships? (Are we lacking critical capabilities or financial resources that could improve our competitive positioning? Are we shifting the strategic direction of the company?)

Approach: How do we want to do it?

(a) What is our timeline for finalizing a strategic partnership? How quickly or methodically do we want to work?

(b) What are the options for structuring the partnership, and what effect would these structures have on governance and value-sharing?

(c) How should the partnership be negotiated (e.g., what are the priorities, who should be on the negotiating team)?

(d) How close a relationship should we have with our partner?

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Tool #1: Goal Statement Template (Continued)

GOAL STATEMENT: TEMPLATE **COMPANY NAME**

Organizational Readiness: Are we prepared to pursue a strategic partnership?

(a) What external barriers (e.g., government or legal restrictions, economic uncertainty, competitor response) might prevent us from pursuing a partnership opportunity?

(b) What internal barriers (e.g., unsupportive culture, limited value proposition) might prevent us from attracting or pursuing a strategic partner? Which of these barriers can we control and resolve?

(d) Which vital skills sets, if any, needed to be successful in a partnership are we currently lacking among our staff?

(e) Can our existing processes and cost structures support a strategic partnership effort?

(f) What will we ask any or all of the following functions to contribute to the strategic partnership effort: Corporate Development (M&A Team), Marketing, Finance, Sales, Research & Development, and Distribution/Operations?

Investment: What financial return do we expect from our strategic partnership?

(a) What are our minimum and maximum investment thresholds for any activities required as part of our strategic partnership effort (e.g., investments in marketing, sales training, sales support)?

(b) Where would we place our investment on the risk/reward spectrum?

(c) How long do we expect it will take to achieve a positive return, in terms of boosted revenues, increased market share, and/or better margins?

Measurement: How will we determine success?

(a) Short-Term: How will we demonstrate the success of our strategic partnership efforts to shareholders (i.e., what should be our key targets)? What metrics can we realistically influence during this time?

(b) Long-Term: What signs of success would we expect from this strategy in the long term? How should we quantify these expectations? What is our results timeline/by when must we show demonstrable improvements?

(c) What is our minimum standard for performance within each partnership we enter?

Buy-In: Who has contributed to and/or approved this statement? Who still needs to sign off?

(a) What plans exist for ensuring executive team consensus or acceptance?

(b) How will we modify our goal statement if we receive push-back from key stakeholders? On which points are we willing to budge, and on which must we hold firm?

(c) How should we communicate our goal statement for the greatest degree of buy-in (e.g., who should deliver the message, what is the scope of the audience, which communications channels should we use)?

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PHASE 1: CAPABILITY ASSESSMENT

Growth Process Toolkit

Strategic Partnerships

PHASE 1: CAPABILITY ASSESSMENT

The table below lists the key steps and objectives featured in Phase 1. The pages that follow explore each step and its associated tools in greater depth. This page is also clickable, enabling you to jump to any section directly.

CAPABILITY ASSESSMENT: KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Company Performance Analysis	Evaluate performance across your current product or service portfolio and business operations (thereby surfacing gaps that could be complemented by a partner's resources)	Capabilities Performance Report Card Stakeholder Evaluation Guidelines
Company Resource Analysis	Identify capabilities or resources that deliver a unique, sustainable value to your organization (and could therefore be valuable to a strategic partner)	Resource Evaluation and Management Guidelines Market Strength/Breadth Scorecard

Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

STEP ONE: COMPANY PERFORMANCE ANALYSIS

Tool #1: Capabilities Performance Report Card[15]

Overview

What is it?
A diagnostic tool to grade your company's competitive advantage with its current set of capabilities (e.g., manufacturing, marketing).

Why should you use it?
This exercise will make clear any performance gaps that could threaten your company's competitive position; you can use this information to focus your partnership search on bolstering those weaknesses. You can also use this report card as a presentation tool, since it draws attention to strengths and weaknesses in an easy-to-understand format.

You may want to tailor these standards to better reflect your company's goals.

Capabilities Performance Report Card (Sample)

Criteria	Best-in-Class Standard	[Company] Current State	Implications	Grade*
Uniqueness	• Competitors cannot (or will not) replicate the capability • Product retains uncontested market positioning • Product is the first of its kind (i.e., pioneered a new category or changed the dynamics of the industry)	One competitor has the resources to duplicate our core product offering	Although the market may soon be contested, our competitor cannot replicate the value of our brand, which still sets our product apart from alternatives	B+
Scarcity	• We have exclusive relationships with parts manufacturers for our product • We have exclusive relationships with distributors who sell only our product	We do not control supplier relationships with competitors, but we do control our ordering and rarely have excess inventory	Our effective inventory management enables us to pass on cost savings to customers through competitive (but still profitable) pricing.	A-
Price Point	• Our products are profitable (we earn significant margins on each sale) • We have a unique cost advantage competitors cannot duplicate • Customers find our prices reasonable	We have recently lowered our prices (and our margins) to defend our market share from a new competitive threat	We have set a new profitability cap within the market	C-
Ownership	• Our products are protected by patent • Our products are not easily substituted	Product's patent is expiring	Competitors may increasingly threaten our position over time	B-

***A Note on Grading**
You and your executive team must define what constitutes A, B, C, D, and failing-grade performance. You can then assign the following scores to each grade, depending on how fully each capability meets a given definition:

A+	100	**B+**	88	**C+**	78	**D+**	68	**F**	<60
A	95	**B**	85	**C**	75	**D**	65		
A-	90	**B-**	80	**C-**	70	**D-**	60		

You can then assign a final grade based on the average of the numerical scores assigned to each consideration.

Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

Step One: Company Performance Analysis (Continued)

Tool #2: Stakeholder Evaluation Guidelines[16,17]

Overview

What is it?
A series of questions that can guide your evaluation of key stakeholders' performance.

Why should you use it?
You need to know where your stakeholders are providing your company with a unique competitive advantage (that might be attractive to potential partners). Conversely, if you can diagnose areas of underperformance among your stakeholders, you can build your strategic partnership approach around bolstering those areas of weakness.

Stakeholder Evaluation Guidelines

Determine how each group's performance either contributes to, or detracts from, your company's competitive advantage.

Suppliers

- Do our suppliers behave in a way that maximizes our organization's profits?
- Are our suppliers' incentives aligned with our desired outcomes (i.e., are risks, costs, and rewards of doing business distributed fairly)?
- Do we struggle with any of the following: excess inventory, incorrect forecasts, inadequate sales efforts, or poor customer service?
  - If so, what are the root causes of these areas of underperformance?
  - Can a redesigned incentive structure ameliorate some of these difficulties?
- Would we face a high switching cost if we changed suppliers? Could we garner some degree of exclusivity?
- Is there any substitute for what the supplier group provides?

Distributors

- What is our average profit margin among distributors? Is it in line with our profitability goals?
- How many different channels does it take our product to reach our target customer?
  - Can we streamline this arrangement for greater profitability?
- What kind of alignment do we see between our products, growth strategy, and distribution capability?
  - How can or should we address areas of misalignment (e.g., exclusive arrangements, better training)?
- What is the average deal size we attain with distributors and what are the standard contract terms that define our distributor relationships?
  - Do these terms give us any discernible advantage over our competitors?
- How do our competitors currently go to market? Is there an advantage or disadvantage to mirroring their distribution strategies? What are the weak points in their approaches?

Channel Partners

- Do our channel partners support our desired geographic reach?
  - Do we modify our channel partner strategy depending on the needs of local markets?
- Are our relationships with channel partners cost-effective?
- Does our communication with or support of channel partners set us apart in the marketplace?

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Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

STEP ONE: COMPANY PERFORMANCE ANALYSIS (CONTINUED)

Tool #2: Stakeholder Evaluation Guidelines (Continued)

Stakeholder Evaluation Guidelines

Determine how each group's performance either contributes to, or detracts from, your company's competitive advantage.

Sales

- Do we support our sales teams with best-in-class collateral, tools, and other resources?
- Does our sales training and support prepare our sales reps to out-perform competitors' sales teams?
- Can our sales force consistently diagnose and reliably deliver on higher order customer needs?
- Is our sales force empowered and equipped to rapidly make competitive pricing decisions when appropriate?

Marketing

- What percentage of our customers are repeat buyers compared to competitors?
- Do we consistently isolate drivers of dissatisfaction and proactively address them?
- Can customers recall our brand or product without prompting at a rate higher than our competitors?

Research & Development

- Are we more adept than our competitors at anticipating customer needs or demand for new products?
- Can we consistently convert those needs into promising innovation concepts in a timely manner?
- Do we profitably and efficiently move innovation concepts through our development pipeline?
- Do we have a track record for introducing game-changing products to the market, as compared to competitors?
- Do customers trust us to deliver high-quality, ground-breaking products?
- Do we celebrate an innovation-driven, entrepreneurial culture within our organization?

Procurement

- Does our procurement team take a role in product innovation (e.g., identifying suppliers with new or different capabilities, which can in turn spur initiatives for innovation)?
- Does our team control costs by innovatively managing material and packaging inventories?
- Is our team adept at shortening cycle times?
- Are we one of few buyers in our industry (i.e., do we purchase in volumes that are large relative to the size of our vendors)?

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Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

STEP ONE: COMPANY PERFORMANCE ANALYSIS (CONTINUED)

Tool #3: Current Strategic Partner Performance Report Card[18]

Overview

What is it?
A framework for evaluating the performance of any strategic partners with whom your organization currently has a relationship.

Why should you use it?
You need to have a sense for which of your partners are well-aligned with your business, which have demonstrated value, and which are drains on your organization. This report card will allow an apples-to-apples comparison across all your partners.

Strategic Partner Report Card (Sample)

Partner: Strategic Partner A

Grade: B (Decision: Maintain relationship status quo)

Performance Consideration	Current State	Grade*
How attractive is the value proposition that [Partner] helps us offer to our target segments?	[Partner] helps us develop new products and services that enhance our value proposition	A
Is the proportion of our target segment reached by [Partner] large enough to continue to demand our attention?	Target segment is also our largest segment, and we predict it will continue to grow	A
Do we have a differentiation advantage in serving customers with help from [Partner]?	To some extent: customers are aware of the partnership and appreciate its advantages	C
Are our cost structure and value network set up to serve customers profitably through this partnership?	Innovation and go-to-market strategy are dramatically improved as a result of the partnership	A-
If the partnership is non-exclusive: Do any of our top competitors also retain relationships with [Partner]?	[Partner] has no contractual obligation to exclusivity; at least one competitor is seeking a relationship with [Partner]	D
Do we sacrifice efficiency or profitability to do business with [Partner]?	Efficiency and profitability are within our target range (no variance of note)	B+
Can we reach our target segments successfully without [Partner]?	No; without [Partner], we would lose access to customers in specific, high-value regions	A
How engaged is [Partner] with our company?	We maintain open lines of communication on our side, but [Partner] guards its IP carefully and does not share all relevant information with us	B-
How well aligned are our company's objectives with [Partner]'s goals?	Goals are not as linked as we would like (we want a long-term, exclusive relationship; [Partner] resists exclusivity and close collaboration)	C

***A Note on Grading**

You and your executive team must define what constitutes A, B, C, D, and failing-grade performance. You can then assign the following scores to each grade, depending on how fully each partner meets a given definition:

A+	100	**B+**	88	**C+**	78	**D+**	68	**F**	<60
A	95	**B**	85	**C**	75	**D**	65		
A-	90	**B-**	80	**C-**	70	**D-**	60		

You can then assign a final grade based on the average of the numerical scores assigned to each consideration.

Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

STEP TWO: COMPANY RESOURCE ANALYSIS

Tool #1: Resource Evaluation and Management Guidelines[19]

Overview

What is it?
A list of considerations to identify and manage resources that offer your company a unique competitive advantage. Ideally, your organization's partnership strategy will play to strengths you surface through this exercise, while simultaneously complementing any identified capability gaps.

Why should you use it?
It will help you evaluate your strengths without bias and with reference to where your competitors are also successful. The perspective you gain through this exercise will also help inform your partner selection activities (not only identifying a best-fit partner, but also setting a value proposition that will attract potential partners to your organization).

Resource Evaluation and Management Guidelines

The questions listed below will help you determine the value of your company's key resources (e.g., manufacturing site, valuable brand, talented employees).

- **Can competitors copy it?**
  - The more inimitable your resource, the more you limit the potential for competition.
  - If your resource is a desirable location, or perhaps a relationship with your customers that you have cultivated over time, it may prove more difficult for your competitors to replicate – and therefore more valuable to your organization.
- **Does the resource depreciate slowly over time?**
  - The longer-lasting a resource is, the more valuable it will be.
  - If the resource is a well-established and highly recognizable brand, for example, competitors will struggle to threaten its position without assuming significant cost and risk.
- **Does your organization control the value provided by the resource?**
  - Not all profits derived from a resource flow directly to the company that technically owns the resource.
  - In some instances, a resource is only as valuable as the employees who manage it (consider the close relationship between Steve Jobs and Apple's reputation for innovation). The more an organization controls the resource, regardless of employee turnover, the more valuable that resource becomes.
- **Can the resource be easily substituted?**
  - Even if competitors cannot easily duplicate your resource, they may still be able to marginalize it by offering an alternative that customers may ultimately prefer.
  - Competitive intelligence-gathering will help you anticipate companies offering substitutes that could undermine the value of a key resource.
- **Is your resource better than similar ones controlled by your competitors?**
  - You must not only consider which resources your company finds most valuable internally, but which compare most favorably with competitors' resources. If your best is not better than a competitor's best, that resource will be of marginal value to your competitive strategy.
  - Consider the possibility that a *combination* of resources may offer a strategic advantage that each resource viewed in isolation does not deliver.

Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

STEP TWO: COMPANY RESOURCE ANALYSIS (CONTINUED)

Tool #2: Market Strength/Breadth Scorecard[20]

Overview

What is it?
A growth opportunity evaluation tool that allows you to assess the fit between one of your company's core products and potential applications in a new market that a partnership could open up to you.

Why should you use it?
This exercise will enable you to build a value proposition that speaks directly to your company's strongest, most unique capabilities—thereby strengthening your appeal in the eyes of potential partners. It will also help you structure your partner selection activities around products with the greatest potential for growth in a new market.

Existing Product Strength and Breadth Scorecard

Product Category: Paper Products (Sample)

Step One: Score Market Strength
(i.e., a product's competitive advantages in its *current* market)

Strength	Existing Products & Scores		
	Microencapsulation	Paper Handling	Protective Coatings
Capability *Ability to deliver the product's benefit*	9	3	1
Uniqueness *Difficulty of competition to replicate*	1	1	-3
Cost Position *Compared to competitors*	9	9	3
Total: *Sum of three scores*	19	13	1

Step Two: Score Market Breadth
(i.e., the applicability of the product's strengths to a *new* market)

Transferability *Ease of transferring product to new markets*	9	1	NA
Total Market Breadth:	9	1	NA

List all products in your portfolio that you think could meet demand in a new market.

Score each product's strength. (See scoring key.)

Total the value of scores in each column.

Complete Step Two for any product receiving a total score of 12 or more in Step One.

Any product that doesn't score 12 or more is not evaluated in Step Two.

Score remaining products' transferability.

Mark products with the highest total score for further consideration.

Scoring Key

9 = Unique to your organization
1 = Commonly applied across industries
3 = Valuable (but not unique) to your core business
-3 = Currently under-performing

Reminder! To learn more about how you can introduce existing products into new markets, please reference the Growth Team Membership's best-practice profile of Appleton Papers' Mature Product Reinvigoration Process.

Phase 1: Capability Assessment

Step	Company Performance Analysis	Company Resource Analysis

Step Two: Company Resource Analysis (Continued)

Tool #3: Strategic Partner Needs Assessment[21]

Overview

What is it?
A series of questions to help you pinpoint your company's need for a strategic partnership—and where that strategic partnership should focus.

Why should you use it?
It will help you think through your partnership options by contextualizing them within your company's larger growth strategy (and the barriers to growth confronting your organization). This perspective will help you screen partners based off fit and need—helping you avoid impulsive or reactive pursuit of opportunities.

Strategic Partner Needs Assessment

A. Baseline Questions:

- Where do we see disconnects between the capabilities we have and the capabilities we need?
- What kind of a partner would be able to deliver the capabilities that we need?
- Should we consider partners inside our market or in a new one?
- Should we consider a company with whom we already have a strong relationship, or explore new opportunities?
- If we do not pursue a strategic partnership, are we limiting our growth opportunities in the near or long term?
- Based off our assessment of our most unique resources, what sort of company might find value in those offerings (i.e., who would want to work with us)?
- Should we pursue specific companies, or should we wait for them to come to us? Why?
- What is the risk of becoming dependent on a strategic partner's key resources if we do not develop them in-house? Does the potential reward make this risk a worthwhile tradeoff?

B. Identification of Partnership Needs:

- Is our industry experiencing a rapidly expanding technology base?
- Are we frustrated with the difficulty of penetrating a foreign market where the opportunity is attractive?
- Are we struggling to overcome critical employee talent gaps?
- Are we not adopting productivity methods as quickly as we would like?
- Is an increasing R&D burden being felt by our company and industry?
- Is our edge in core competencies under pressure by capable competitors?
- Are we facing increasingly heavy investment burdens that make it harder for us to leverage scarce resources?
- Are destabilizing economic or industry conditions forcing a new look at delivery/distribution alternatives in our markets?
- Do we need to strengthen our process efficiency and raise the level of competitive intensity in our industry?
- Are acquisition opportunities limited because of size, geography, or ownership reluctance at loss of control?
- Are we struggling to access critical segments of our customer base?

For questions in Part B, try to determine to what degree these issues are a factor for your company. It will help you determine how critical a priority a partnership is for your organization—and narrow the partnership's focus and purpose in the process.

FROST & SULLIVAN

GROWTH TEAM MEMBERSHIP™

PHASE 2: MARKET DUE DILIGENCE

Growth Process Toolkit

Strategic Partnerships

Phase 2: Market Due Diligence

Where Are We Now?

Completion of the exercises featured in Phases 1 has enabled you to:

- Baseline your organization's current performance
- Identify your company's unique capabilities and key resource gaps

At this point, you should have a strong sense for your organization's strengths and weaknesses, which capabilities might be valuable to potential partners, and which gaps a strategic partner should help your organization address.

What Do I Do Next?

Your next step is to identify high-growth market opportunities that your organization cannot currently pursue—but would be able to exploit if it had access to capabilities offered by a strong-fit strategic partner. Phase 2 will help you conduct this market due diligence and prepare for partner selection by informing your perspective on an ideal partner profile.

Outlined below are the activities and steps you need to complete in Phase 2. The pages that follow will highlight the information and resources you need to complete each of these steps.

Market Due Diligence: Key Steps and Tools

Step	Purpose	Sample Tools
Industry Analysis	Conduct a realistic assessment of a current or new market's size, growth potential, and saturation	Market Size Estimation Template Market Trends Evaluation Checklist
Customer Analysis	Identify any changes to the customer landscape that could affect your partnership strategy	Segment Opportunity/Fit Matrix Segment Comparison Grid
Competitor Analysis	Identify any changes to the competitive landscape that could affect your partnership strategy	Competing Offer Price/Quality Matrix

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS

Tool #1: Market Size Estimation Template

Overview

What is it?
A template to help estimate the size and future growth potential of any market in which your company would consider competing with the help of a strategic partner.

Why should you use it?
This exercise can help you calculate the size of a specific market opportunity. This objective data collection effort will help you evaluate all markets against the same criteria – thereby removing the risk of basing the case for a strategic partnership on untested assumptions.

Market Size Estimation Template (Sample)

	Current					Growth Rates		
Market	Avg. Price Per Unit	Total Units Sold	Market Revenue Total	Total Number of Customers	Total Revenue Per Customer	Estimated Price Growth Rate	Estimated Units Sold Growth Rate	Estimated Customer Growth Rate
A	$ 4.35	102500000	$ 445,875,000.00	60000000	$ 7.43	-1.00%	5%	7%
B	$ 6.75	90345000	$ 609,828,750.00	61200000	$ 9.96	1.25%	7%	5%
C	$ 2.45	234500000	$ 574,525,000.00	62424000	$ 9.20	-0.50%	4%	2%
D	$ 8.95	65094000	$ 582,591,300.00	63672480	$ 9.15	1.50%	10%	6%

	Future				
Market	Projected Avg. Price Per Unit	Projected Total Units Sold	Projected Market Revenue Total	Projected Total Number of Customers	Projected Total Revenue Per Customer
A	$ 4.31	$ 107,625,000.00	$ 463,487,062.50	64200000	$ 7.22
B	$ 6.83	$ 96,669,150.00	$ 660,673,222.03	64260000	$ 10.28
C	$ 2.44	$ 243,880,000.00	$ 594,518,470.00	63672480	$ 9.34
D	$ 9.08	$ 71,603,400.00	$ 650,463,186.45	67492829	$ 9.64

Calculate Total Revenue per Customer by dividing total revenue by number of customers.

Average price per unit reflects all competitors' prices.

Calculate Market Revenue Total by multiplying average price per unit by total units sold.

Reminder! Be sure to include markets in which you currently compete in this analysis. It will help you build a more informed comparison for any new markets you are considering entering (and it can also help you realistically consider your company's growth potential with, and without, partner-aided market entry).

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS (CONTINUED)

Tool #2: Market Trends Evaluation Checklist

Overview

What is it?
A list of questions, the answers to which could influence a market's long-term growth potential (these insights can also help you populate the Market Size Estimation Template and Drivers & Restraints Worksheet).

Why should you use it?
It will help you track a market's evolution over time. You can then compare changes across multiple markets (i.e., a market in which you currently compete, along with any market you are considering accessing through a strategic partnership).

Market Trends Evaluation Checklist
Market: ___________

- ☐ How might market consolidation, convergence, or fragmentation affect our market saturation?
- ☐ How might changes in population composition, attitudes, affluence, and education affect demand?
- ☐ Do advances in technology create opportunities to increase customer communication, or do they create greater customer autonomy (and ultimately make it more difficult for us to communicate and deliver our value proposition)?
- ☐ What tasks are customers in the market trying to complete (i.e., what are customers trying to achieve by using a given product)?
- ☐ To what extent are customers in this market over- or under-served (i.e., to what extent does a given product enable customers to achieve their desired outcomes)?
- ☐ Would disengaged customers embrace an alternative service offering?
- ☐ What product or service offerings have garnered premium prices in the past? Will those same offerings garner similar premiums in the future?
- ☐ What new business models are emerging?
- ☐ What role does the government or its regulatory bodies play in enhancing or limiting growth potential in this market?
- ☐ Are there signs that we are ceding market share to an emerging competitor, or would have difficulty entering a market due to an entrenched incumbent presence?

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS (CONTINUED)

Tool #3: Drivers/Restraints Worksheet

Overview

What is it?
A list of questions to help you consider all factors affecting growth in a market (both positively and negatively). Your answers will help inform an assessment of which markets present the most compelling growth opportunities, which in turn will help focus your search for a strategic partner.

Why should you use it?
You need to be aware of any factors that might alter a market's stability (for better or worse) in the long term. Ultimately, this perspective will help you make short-term decisions about whether to remain or become competitive in that market.

Step One: Fill out the worksheet below for the [_________________ Industry].

Analysis of Sector-Specific Drivers and Restraints

1. Drivers

Question	Hint	Potential Sources
What are the specific drivers affecting the market and causing it to grow?	Regulatory changes; population growth; labor costs; availability of commodities	Frost & Sullivan research; industry-specific periodicals; trade associations
What do you predict will drive sales in two years?	New markets opening; new technologies	
What changes are you witnessing in customers' demands?	Changes to purchasing cycle; price sensitivity	
How has distribution changed over the past two or three years?	Emergence of new distribution networks	

2. Restraints

Question	Hint	Potential Sources
What is holding back sales or preventing the sector from growing?	Economic uncertainty; saturated market	Frost & Sullivan research; industry-specific periodicals; trade associations
What circumstances have prevented customers from purchasing key products or services?	Price sensitivity; changing consumer behavior; availability of capital	
What industry-wide factors are limiting growth potential?	Poor distribution network; high manufacturing costs	
Are there any company-specific inhibitors that cannot be explained by sector-wide circumstances?	Organizational barriers; talent turnover	

(Continued on the following page)

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS (CONTINUED)

Tool #3: Drivers/Restraints Worksheet (Continued)

Step Two: List each driver and restraint you have identified through your completion of the worksheet on the previous page. Next, estimate the potential impact that each driver and restraint might have on your industry's potential for growth over a period of time that you can forecast with reasonable accuracy (for the purposes of the sample below, we have extended the forecast over a seven-year period, but this number will vary depending on forecasting accuracy and standard projections within your own industry).

Analysis of Market-Specific Drivers and Restraints

Sample: Healthcare Technology Market (Ranked in Order of Impact)

Rank	Driver	1-2 years	3-4 years	5-7 years
1	Customer base increasing due to obesity epidemic	High	High	High
2	Product replacement cycle expected to accelerate	High	Medium	Medium
3	[Product] still reimbursed by Medicare	High	Medium	Medium/Low
Rank	**Restraint**	**1-2 years**	**3-4 years**	**5-7 years**
1	Current competitors deeply entrenched; high barriers to entry	High	High	High
2	Competitive bidding expected to lower reimbursement rates for Medicare patients	Low	Medium	High
3	Widespread compliance issues (customer not using product correctly)	Medium	Medium	Medium

A Note on High/Medium/Low Scoring

Frost & Sullivan rates drivers and restraints on a 10-point scale, with 10 representing a perfect correlation between a driver/restraint and revenue growth/loss in a given sector. The score then translates into a "high", "medium", or "low" classification, as outlined below. Group discussion will help you assign the appropriate scores to each driver or restraint.

- 8 to 10: High
- 4 to 7: Medium
- 1 to 3: Low

Reminder! You should make this exercise highly interactive and invite your peers in Sales, Marketing, Market Research, R&D, Competitive Intelligence, and Corporate Development to contribute unique insights and perspectives.

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS (CONTINUED)

Tool #4: Technology Analysis Guidelines

Overview

What is it?
A series of activities to help you anticipate any emerging technologies that could alter a market's competitiveness and/or determine the need for a strategic partnership

Why should you use it?
To the greatest extent possible, you should assess a market's viability with a forward-looking perspective that accounts for how a technological shift might affect its growth potential or competitive saturation in the coming years. That perspective will help you search for partners that will set your company up for long-term competitiveness.

Step One: Background Research Checklist

To anticipate technological change, you need to conduct comprehensive secondary and primary research. This due diligence checklist will guide your efforts.

- Secondary Research
  - Academic journals and papers
  - Conference proceedings and papers
  - Tradeshows
  - Industry-specific periodicals
- Patent Searching *(Note: this will help you determine whether any companies are establishing IP around a specific technology – which might make it less desirable for development (if innovation or NPD is a core component to your competitive strategy). Depending on the level of detail you are seeking, you may want to involve a patent attorney or patent-seeking company in this exercise – but you can also conduct much of this research on your own.)*
  - World Intellectual Property Organization
  - United States Patent and Trademark Office
  - European Patent Office
  - Micropatent
  - Derwent World Patents Index
  - PatentCafe
- Technology Transfer Websites, including national laboratories, government-backed laboratories, military laboratories, and non-profit laboratories
- University Technology Transfer Websites
- Corporate R&D Investments
  - 10K Statements (R&D budgets and strategy section in particular)
  - Other SEC filings (e.g., 10Q, 8K, Annual Report)
  - Annual reports
  - Proprietary databases (e.g., American Chemical Society, American Institute of Physics, Materials Research Society, Institute for Electrical and Electronic Engineers)
- Venture capital and funding reports
- Primary research with:
  - Individual companies
  - Universities
  - Government organizations and laboratories and non-profit laboratories
  - Venture capital firms
  - Financial, market, and technology analysts
  - Scientists, engineers, heads of R&D, project managers, business development specialists, purchasing personnel, strategic planners, CFOs, CIOs, and CEOs.
  - Key end user groups (e.g., early adopters)

(Continued on the following page)

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP ONE: INDUSTRY ANALYSIS (CONTINUED)

Tool #4: Technology Analysis Guidelines (Continued)

Step Two: Current and Future State Worksheet

Answer these questions for any industry or market which might form a part of your competitive strategy. It will help you consider how current and emerging trends in technology could alter your market's attractiveness.

- Which technologies currently dominate this sector?
- Which emerging technologies threaten current technologies?
- Which emerging technologies are likely to achieve applications in 3, 5, 10, and 20 years?
- Which are the leading near-term (perhaps niche) applications for these emerging technologies?
  - How will customers respond to or accept these technologies?
- Which are the applications with the highest potential sales volume and ROI for these emerging technologies?
- Which technologies have the potential for fastest growth and most significant adoption?
- How might these emerging technologies alter customer behavior?
  - What consequences might we expect to see as a result of that change? Does this future state alter the viability of the product currently under consideration?
- How likely is it that any of these emerging technologies would converge with one of our core capabilities (thereby creating a potential partnership opportunity)? Under what circumstances should we pursue such an opportunity if one presented itself?

Step Three: Concluding Questionnaire

Answer these questions from your company's perspective.

- How does the technological information unearthed from your market analysis align with your company's stated objectives and needs for the present and the future?
- Based on your assessment, which new technology-based growth areas are best suited for exploitation by your company? Which of these could best be pursued through a strategic partnership?
- Based on your assessment, what does your company need from a technological standpoint to compete effectively in these growth areas? How could a strategic partnership help you acquire those needed capabilities?
- How important might R&D become to your growth strategy, 3, 5, 10, 15, and 20 years from now? Why?
  - How could a strategic partnership help you anticipate and prepare for that evolution?
- What kind of specific impact could an emerging technology have on your target market?

Reminder! An industry's technological evolution or innovativeness does not necessarily make that industry attractive. You therefore need to consider how changing technology will alter the competitive dynamic: what are the implications for buyer sensitivity, switching costs, or entry barriers? It may seem counterintuitive, but a market could ultimately be unattractive simply because the market itself is suddenly more attractive – and other companies have noticed as well.

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP TWO: CUSTOMER ANALYSIS

Tool #1: Segment Opportunity/Fit Matrix

Overview

What is it?
A customer segmentation tool that helps you customer groups that present the greatest opportunity for growth (whether in your current market or one in which your company does not currently have a presence).

Why should you use it?
You need to consider the untapped and/or profitable customer segments a new market offers. By cross-referencing customers' future value with your organization's ability to meet customers' needs, you can focus partner selection on accessing the target customer groups with the greatest long-term value to your organization.

CUSTOMER OPPORTUNITY/FIT MATRIX

FIT*		Low (Opportunity)	High (Opportunity)
	High	**At Risk** Action here will depend on the reason for the low opportunity: is it a saturated market? An insignificantly small, albeit high-quality, percentage of the total customer base? Consider pursuing if the opportunity may improve over time.	**Star** Good-fit, high-opportunity customers are the core of your growth strategy. You should design communications, pricing, and positioning with this segment in mind.
	Low	**Low Priority** An investment in this low-growth, poor-fit segment will likely not contribute to your revenue or growth goals.	**Partner or Acquire** Serving this segment would require an expansion of capabilities: a strategic partnership or acquisition might help you improve the "fit" between this high-value segment and your current product or service offerings.

OPPORTUNITY*

***A Note on Opportunity and Fit**
Frost & Sullivan defines "opportunity" as a segment's growth potential and "fit" as alignment between a segment's demands and your company's current capabilities.

(Directions listed on the following page)

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

Step Two: Customer Analysis (Continued)

Tool #1: Segment Opportunity/Fit Matrix (Continued)

Directions

1. Plot each segment within a market's customer base according to responses to the questions listed below.
2. Rank each response those questions based on a High, Medium, Low scale. Take the average for each and plot on the grid accordingly.

Questions

A. Opportunity

1. What level of purchasing power do customers within this segment wield?
2. To what extent is this segment positioned for long-term growth (i.e., is the size of the segment increasing or decreasing)?
3. To what extent is this segment under-served, or not served at all, by current product offerings?
4. To what extent is this segment satisfied with current product offerings?
5. To what degree can we deliver a differentiated value proposition to this segment ("high" equals lack of competition)?
6. If multiple companies already compete to serve in this segment, how easy would it be for customers to switch ("high" equals very easy)?
   a. How willing would they be to switch ("high" equals very willing)?
   a. To what degree can factors other than price influence a switching decision?
7. How high would the average margin on a sale be within this segment? Consider the following:
   a. What is the average cost of acquiring a new customer within this segment?
   b. What is the average cost of losing a customer within this segment?
   c. How long is the sales cycle?
   d. To what degree does price sensitivity govern purchase decisions in this segment?
   e. How high is the cost-to-serve within this segment?

B. Fit

1. To what extent can we price our product or service competitively (but still profitably) for this segment?
2. To what degree does this segment already recognize a need for our product or service (i.e., that their current needs are unmet or under-served)?
3. To what degree is our company (or our brand) viewed as offering a high-value product or service to meet demand?
4. What degree of success could we expect if we sell our existing product/service portfolio to this segment without investing in significant or costly changes to our business model (such as a strategic partnership)?
5. What success would we have profitably building a value proposition that would cultivate customer loyalty over time?
6. To what extent do our current capabilities align with this segment's demands and buying behavior?
7. To what extent could we better serve this segment by expanding our capabilities through a strategic partnership?

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

Tool #2: Segment Comparison Grid

Overview

What is it?
A template to help you evaluate trends across your existing customer base and that of a segment you are considering reaching through a strategic partnership.

Why should you use it?
It will help you compare the potential offered by multiple segments. You can then focus your partnership search on those organizations with greatest access to segments that perform best across all key considerations. It can also help you determine if there is still opportunity for your company to increase share of wallet within your existing market (without a partnership).

Customer Segment Comparison Grid *(Sample)*

Product: *CPAP Machines*

Segment 1: *Medical Professionals (Medical Technology Market)*

Segment 2: *Consumers (Home Medical Care Market)*

Consideration	Segment 1 Characteristics	Segment 2 Characteristics
Product	Clinical tool, greater demands for evidence, greater need for more information for differential diagnosis and treatment, use setting in controlled, clinical environment, often higher regulatory hurdles	Simpler, need for greater safety controls, more ergonomic and comfortable, clear instructions, use setting in home or other non-healthcare facility, scalability more of a challenge, shorter product life cycle
Price	Elastic – typical disconnect between user (clinician) and purchaser (facility), larger purchasing volumes, view of products as business investments, greater pricing flexibility through negotiations	Inelastic – especially if non-reimbursed, smaller purchasing volumes, sometimes direct impact on personal budgets, less of an ability to offer flexible price negotiations
Distribution	Concentrated distribution channels with fewer potential customers, Internet purchasing rare for most products	Less concentrated market, greater diversity, challenges getting product "the last mile," Internet distribution a powerful tool, may require an intermediary to sell
Promotion	Promotion easier because of common needs and concentrated users, intense personal selling and relationship-building with clients	More transactional selling, more adherence and educational challenges, market segmentation more important, consumer psychology more important, greater challenge with positioning of product and benefits, more available market data resources for consumer market research compared to professional market
Service	More service-oriented, often demand for intense one-on-one service provided by manufacturers	Less service-oriented, one-on-one service often not practical across large populations

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

Tool #3: Segment Preferences Interview Template

Overview

What is it?
A survey template that you can use to understand purchase behavior among customers within high-value segments.

Why should you use it?
It will help you articulate customers' needs, challenges, and desired outcomes. In turn, this information will help you consider how you can alter your value proposition to better resonate with these customers (and how a strategic partnership might help you accomplish this goal). Ideally, improved customer understanding will lead to a focused partner search, improved customer targeting, and greater share of wallet.

Customer Preferences Interview Template (Sample)

Incorporate these questions into your surveys of high-value prospective customers.

Product: Medical Device

Customer Group: Medium-Sized Hospitals

A. Overview Questions

1. When did you first purchase [Product], whether from our company or from another provider?

2. What motivated your organization to purchase [Product]?

3. Which product (i.e., from which provider) do you currently acquire [Product]?

4. What other providers are you aware of?

5. How often do you or your team use [Product]?
   a. Rarely (less than once a month)
   b. Regularly
   c. Daily

6. Who controls purchase decisions at your organization?

7. How do you approve the purchase of [Product]?

8. Do you issue Requests for Proposals?

9. Do you require product demonstrations?

10. Overall, how satisfied are you with the product you currently use?
    a. Extremely satisfied
    b. Somewhat satisfied
    c. Somewhat unsatisfied
    d. Extremely unsatisfied

11. Whom do you view as the market leader in this space? Who delivers the best product and services?

Page 1 of 2

(Continued on the following page)

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP TWO: CUSTOMER ANALYSIS (CONTINUED)

Tool #3: Segment Preferences Interview Template (Continued)

Customer Preferences Interview Template (Sample)

B. Product-Specific Questions (Continued)

5. What does that price include?

6. What do you acquire at additional, incremental cost?

7. What other services would you like to acquire to assist with product use?

C. Outcomes-Based Questions

1. What task, activity, or job are you trying to complete with [Product]?

2. What is the *ideal* output or outcome that you want to achieve?

3. How do you know when the outcome has been successfully achieved?

4. How do you measure success?

6. Do you consider your current product efficient or effective? Why/why not?

7. How would you alter the way you currently achieve your desired outcome, if at all?

8. How *willing* would you be to alter the way you currently achieve your desired outcome?

9. To adopt [alternative provider's product], you might have to give up the one you currently use. How do you feel about this trade-off?
   a. If you feel resistant to the trade-off: would this resistance prevent you from switching providers, even if an alternative were more effective than the one you currently use?
   b. If you do not feel resistant to the trade-off: what incentive would you need to make a voluntary switch to a new provider's product (i.e., is improved functionality sufficient, or would you make the decision entirely based off price)?

9. When you consider our organization's product relative to the one you currently use, do you think:
   a. It could fully replace your current product
   b. It could partly replace your current product
   c. It could be used in addition to your current product
   d. It could not replace your current product

Page 2 of 2

Phase 2: Market Due Diligence

Step	Industry Analysis	Customer Analysis	Competitor Analysis

STEP THREE: COMPETITOR ANALYSIS

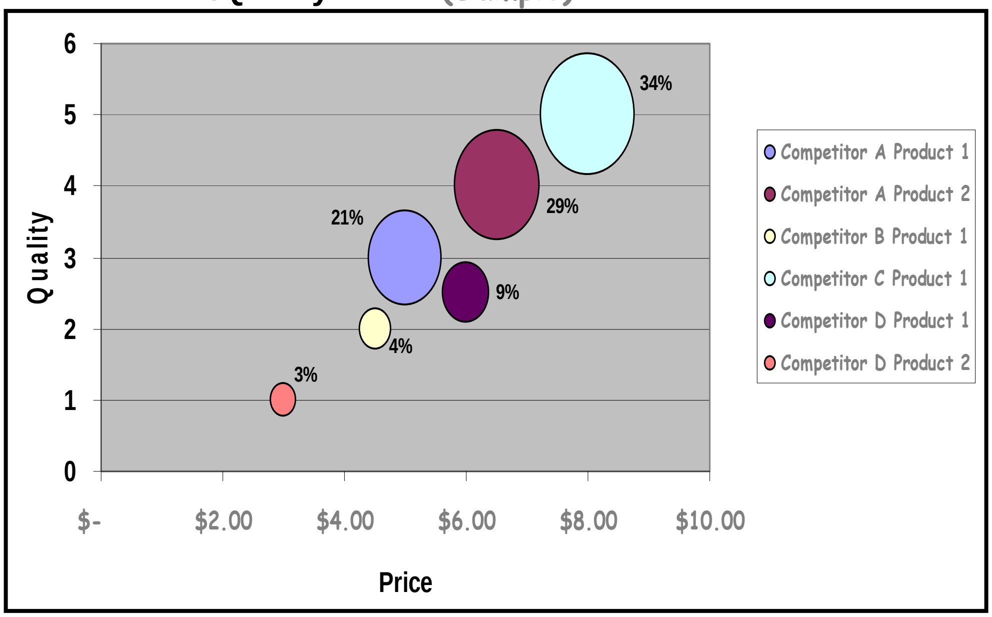
Tool #1: Competing Offer Price/Quality Matrix

Overview

What is it?
A visual guide to your product's position in the marketplace, based on its quality and price relative to competitors' products.

Why should you use it?
It will help you consider your growth potential within a current market through the lens of competitor activity. This analysis can then help you identify any opportunities or gaps that a strategic partner could help you fill (thereby strengthening your competitive positioning through improved product offerings and/or increased market share).

Product Price/Quality Matrix (Sample)



Scoring Guide – X Axis:
Label the price of each competitor's product in the market

Scoring Guide – Y Axis:
*Score capability levels for [product]:**

- 5 Two-way; high accuracy
- 4 Two-way; low accuracy
- 3 Two-way; phrase-based
- 2 One-way; fixed phrase; high accuracy
- 1 One-way; fixed phrase; low accuracy

* Note: The capabilities listed above represent quality levels for language translation products and are for demonstration purposes only.

User Guide

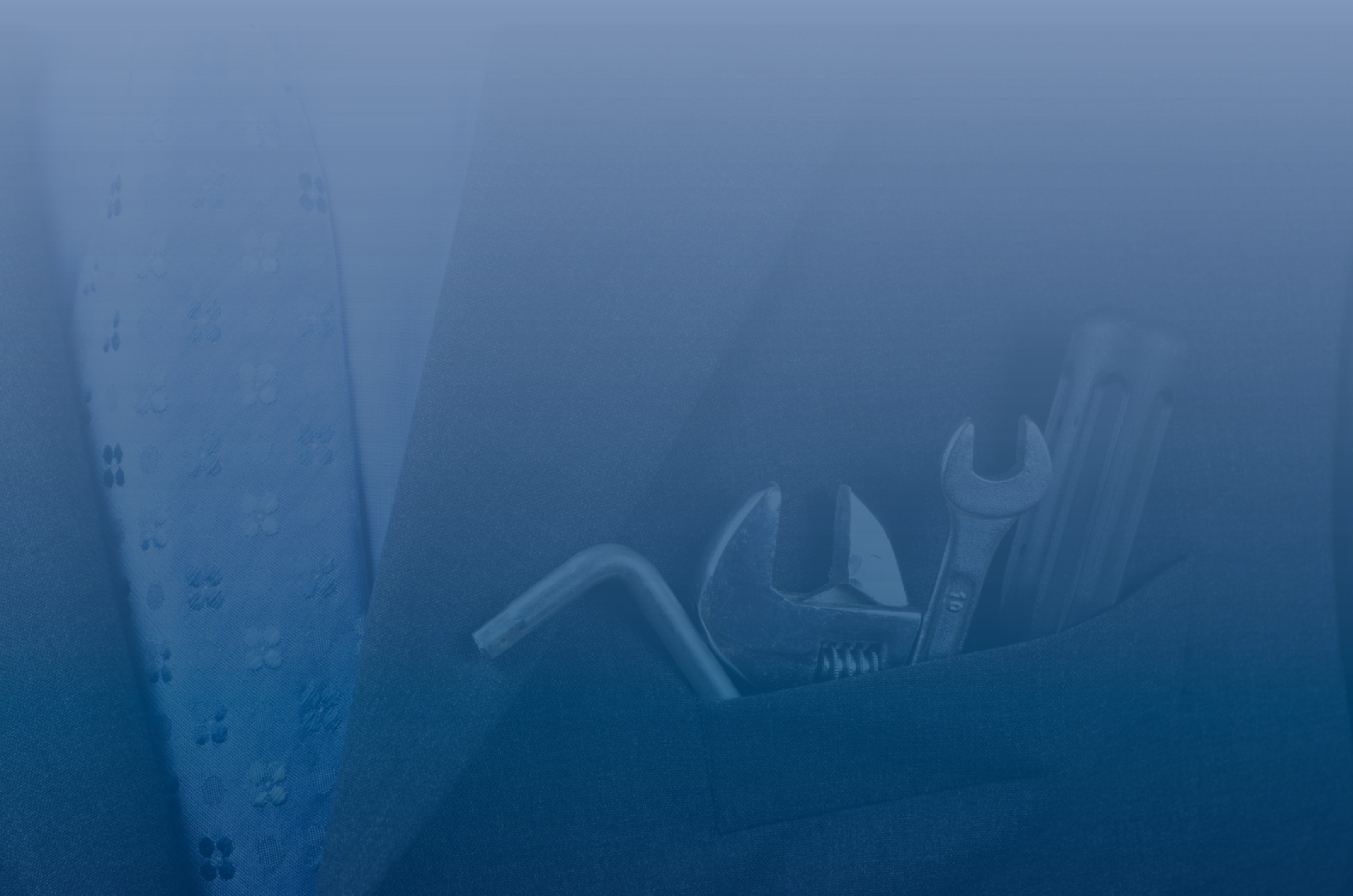
1. Identify top competitors for your company's product.
2. Collect data for each competitor: market share, current market positioning, product or service pricing, and product or service quality.
3. Input that data into the template and the bubbles will automatically populate. The resulting image will help you identify market clusters (e.g., a concentration of high-quality products with premium pricing) that you might want to avoid pursuing through your competitive strategy.

Reminder! Be sure to insert your company's data into the chart– otherwise you won't have a frame of reference for evaluating your competitors.

PHASE 3: PARTNERSHIP FORMATION

Growth Process Toolkit

Strategic Partnerships



PHASE 3: PARTNERSHIP FORMATION

Where Are We Now?

Completion of the exercises featured in Phase 2 has enabled you to:

- Estimate the size of your current market and any others you may want to access through partnership
- Predict each market's future growth potential
- Evaluate changing customer needs and purchasing patterns
- Analyze market saturation and competitor activity

At this point, you should have a strong sense for current and prospective markets' growth potential, how changing customer needs either align with or diverge from your existing capabilities, and the role that partnership might play in helping you modify your growth strategy accordingly.

What Do I Do Next?

Your next step is to conduct a search for strategic partners that could help you move into new markets, reach new customers, or marginalize a competitor threat. Phase 3 will help you (1) screen and evaluate potential partners, and (2) negotiate a mutually beneficial partnership contract.

Outlined below are the activities and steps you need to complete in Phase 3. The pages that follow will highlight the information and resources you need to complete each of these steps.

PARTNERSHIP FORMATION: KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Partner Screening	Identify potential partners that are a good fit with your organization's needs (and are willing to partner with you)	Partner Compatibility Scorecard Partner Interest/Fit Matrix
Partner Evaluation	Extend an offer to a potential partner; conduct due diligence on that partner	Partner Comparison Template Due Diligence Guidelines
Partnership Negotiation	Develop a partnership contract that is comprehensive and mutually beneficial	Term-Setting Framework Agreement Template
Partnership Announcement	Inform the media, customers, and competitors of your newly signed strategic partnership	External Communications Planning Checklist Internal Communications Planning Checklist

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP ONE: PARTNER SCREENING

Tool #1: Partner Compatibility Scorecard

Overview

What is it?
A weighted scorecard that will help you: (1) articulate and prioritize compatibility requirements for any partner you are considering and (2) evaluate each partner according to those criteria.

Why should you use it?
It will help you determine (1) which partner criteria are most critical to your growth strategy and (2) which partners meet the standards you have set. Highest-scoring partners can then receive top priority for further consideration, and you will be able to avoid pursuing low-scoring companies.

Note: These scores and weightings are for demonstration purposes only.

Partner Compatibility Scorecard (Sample)
Partner:

Key Criteria	Weight	Yes	No	Unknown	Score
Growth strategy and partnership goals are similar to ours	10	X			10
Has an executive sponsor in place to champion partnership	10	X			10
Can collaborate on new product development efforts	10			X	0
Has extensive knowledge of high-value customer segments	5	X			5
Has company culture, values, and ethics similar to our own	10			X	0
Operates in a geography that we want to enter	8		X		0
Has a strong brand	6	X			6
Has a strong distribution network in high-value markets	6	X			6
Has strong cash flow and balance sheet	4			X	0
Has core strengths complementary to our own	6			X	0
Is willing to share risk	3		X		0
Has ready access to funding	7	X			7
Has track record of successful partnerships	5			X	0
Is willing to engage in an exclusive contract	10		X		0
Total	100	# YES RESPONSES: 6 #NO RESPONSES: 3 # UNKNOWN RESPONSES: 5 CHANNEL PARTNER COMPATIBILITY SCORE: 44 (44 out of 100 possible points)			

(Directions listed on the following page)

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP ONE: PARTNER SCREENING (CONTINUED)

Tool #1: Partner Compatibility Scorecard (Continued)

Directions

1. List all criteria that would characterize a best-fit strategic partner. This should be an interactive exercise and help enforce consensus on intentions articulated in the Goal Statement.
2. Weight these criteria on a scale of 1 to 10, assigning point values that total 100. The higher the score, the greater the weighting.
3. Check “yes”, “no”, or “unknown” for each attribute.
4. In the scoring column, assign the number of weighted points for a “yes” response and 0 points for a “no” or “unknown” response (e.g., if a criterion is worth 5 points and the partner meets the criterion, you would check the “yes” box and then place a 5 in the “score” column).
5. Final score equals the total value of “yes” responses.
6. Anything you score as “unknown” should be revisited – by the time you are finished filling out this scorecard for each partner, you should have no “unknowns” left.
7. You will need to determine a minimum percentage of accountability for a strategic partner to still meet your criteria (e.g., anything scoring less than 75% – does not qualify for further exploration). For any score that comes in under this amount, you should either remove that partner from consideration or conduct additional due diligence to complete an unknown area (since an “unknown” can become a “yes”, thereby improving a total score).
8. Compare facets and scores of strategic partners under consideration.

Reminder! this scorecard serves dual purposes. In addition to assessing partners’ potential, it can also serve as a due diligence checklist, highlighting any unknown variables for further research. As a result, you may want to revisit this tool as you build and refine your strategic partnership process.

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP ONE: PARTNER SCREENING (CONTINUED)

Tool #2: Partner Interest/Fit Matrix

Overview

What is it?
A grid comparing a potential partner's fit with your organization's needs and that company's willingness to enter into a partnership.

Why should you use it?
It will help you prioritize your options based not just off your company's needs, but off a potential partner's level of interest. By anticipating likely responses to partnership offers, you can avoid wasting time on dead-end opportunities (and redirect those resources to more interested companies).

PARTNER INTEREST/FIT MATRIX

FIT*		INTEREST*: Low	INTEREST*: High
	High	**Blind Alley** Good fit won't compensate for an unwillingness to collaborate. Redirect resources to less reluctant targets.	**Bulls-eye** Your partner selection process should target these tightly aligned, highly interested candidates. Focus due diligence and negotiation efforts on these organizations.
	Low	**Dead End** These low-fit, low-interest candidates will likely not present any compelling partnership opportunities.	**Open Door** While these organizations may not currently meet your criteria, don't discount their willingness to collaborate. Over time, their capabilities and your interests may align.

***A Note on Interest and Fit**
Frost & Sullivan defines "interest" as a company's willingness to partner and "fit" as alignment between a partner's strengths and your company's current capabilities.

(Directions listed on the following page)

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP ONE: PARTNER SCREENING (CONTINUED)

Tool #2: Partner Interest/Fit Matrix (Continued)

Directions

1. Plot each potential partner within a market according to responses to the questions listed below.
2. Rank each response those questions based on a High, Medium, Low scale. Take the average for each and plot on the grid accordingly.

Questions

A. Interest

1. To what extent would this partner be willing to collaborate (i.e., share information and IP)?
2. To what extent does this partner need *our* capabilities to accomplish their goals?
   a. What is the likelihood that *another* company could deliver their needed capabilities?
3. To what degree do partnerships play a significant role in this company's growth strategy?
4. What is the likelihood that we could negotiate an open and fair contract with this partner?
5. What is the likelihood that this company might approach us about a partnership before we can approach them?

B. Fit

1. To what extent are the partner's stated goals similar to our own?
2. To what degree does this partner provide the desired level of: market reach, R&D capability, brand presence, customer or service knowledge (choose any that apply)?
3. To what degree does the partner's company culture align with our own (consider similarities in hierarchy, communication style, level of centralization, openness)?
4. What is the partner's history engaging in open collaborations?
5. What is the likelihood that this partner has the financial stability to invest in a long-term partnership?
6. What is the likelihood that a partnership with this company would **NOT** turn that partner into a competitor (if we let them access our core skills, learn our trade secrets, etc.)?
7. To what degree could a partnership with this company enable us to deliver a differentiated value proposition?

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP ONE: PARTNER SCREENING (CONTINUED)

Tool #3: Partner Alignment Audit[22]

Overview

What is it?
A series of questions to help you consider the degree of alignment between your organization and a potential partner.

Why should you use it?
The more tightly aligned you are with a strategic partner, the greater the partnership's odds of success. Answers to these questions can help you screen for compatibility and remove poor-fit candidates from consideration. Since you will have to conduct background research on each candidate to answer these questions, this tool can also aide your early-stage due diligence efforts.

Partner Alignment Audit
Partner: ____________

1) Why do we want to engage with this partner? Why does the partner want to engage with us?
2) How important are the following to the partner, and how important are they to us?
   - risk sharing
   - technology access
   - supply access
   - geographic access
   - funding availability
   - product or service extension
   - operational skills
   - marketing skills
   - innovation skills
   - regulatory freedom
   - market segment access
   - management skills
3) Are the partner's capabilities complementary to ours (e.g., they provide the product; we provide the market, they provide the technology; we provide the capital, they provide a global network, we provide local customers)?
4) Do we foresee any conflicts of interest or channels to market with this partner (e.g., overlapping geographic markets, competing sources of production, transfer pricing across companies)?
5) In what areas, if any, do we and the partner compete?
   a. How would we manage those overlaps?
   b. At what point would overlap become intolerable?
6) How similar are our targets and missions with that of the partner (e.g., do we share common rivals, time horizons, company values)?
7) What results would the partner expect this partnership to produce? What do we expect?
8) What contribution do we need from a partner, and what is this partner willing to contribute?
9) How would the partner expect to share revenue generated from the partnership? What do we expect?
10) How would this partnership reinforce and build the business strategy of each participant?
11) What commitments would we expect a partner to make? What commitment is the partner willing to make?
12) How would the partner share information and knowledge with us? How would we share it with them?
13) What would the partner do to build trust with our company? What would we do to build trust with them?
14) Does the partner have a style similar to our own for managing internal conflict and reconciling differences?
15) What level of risk is the partner willing to take? Is this level in line with our needs and expectations?
16) Do our company cultures and values suggest we would work well with this partner, or are they so different from us that it might hinder effective collaboration?
17) What is the partner's track record on implementing strategic partnerships?

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP TWO: PARTNER EVALUATION

Tool #1: Partner Comparison Template

Overview

What is it?
A weighted scorecard that provides apples-to-apples comparisons across all partner options. This template is organized by region, but you could just as easily organize it by market or another high-value criterion.

Why should you use it?
It will help you draw easy comparisons across all potential partnership opportunities, weigh the benefits and drawbacks each one presents, and draw conclusions on which partner(s) to engage first. You can also use it as a presentation tool, since its straightforward layout will be easy for your colleagues to follow.

Assign a weighted value to each category.

Include highest-rated criteria from the Partner Compatibility Scorecard.

Partner Comparison Template

Weights	0.05	0.35	0.15	0.25	0.05	0.15	1
A. North America							
Partner Options	**Size of Company (Revenues in USD)**	**Interest in Collaboration**	**Market Reach (Global=High; Local=Low)**	**Key Criterion 1**	**Key Criterion 2**	**Key Criterion 3**	**Total Weight (100%)**
Company 1	2	4	5	5	4	4	4.3
Company 2	4	3	0	5	3	4	3.3
Company 3	3	2	2	4	2	3	2.7
B. Europe							
Partner Options	**Size of Company (Revenues in USD)**	**Interest in Collaboration**	**Market Reach (Global=High; Local=Low)**	**Key Criterion 1**	**Key Criterion 2**	**Key Criterion 3**	**Total Weight (100%)**
Company 1	5	4	4	4.	4	4	4.2
Company 2	3	3	3	4	4	3.	3.4
Company 3	2	1	1	3	2.	3	1.9

List all potential partners still under consideration.

Score each category based on a 0-5 scale (see key).

Assign a final average score based on each weighted criterion.

Scoring Key

0 Unacceptable
1 Very weak
2 Weak
3 Neutral/Average
4 Strong
5 Very strong

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP TWO: PARTNER EVALUATION (CONTINUED)

Tool #2: Due Diligence Guidelines[23,24]

Overview

What is it?
A list of questions to guide your due diligence efforts on a well-aligned, high-fit, and interested strategic partner.

Why should you use it?
It will help you build your business case for the partnership. Your legal team will likely conduct a more comprehensive (and costly) due diligence during negotiations, but this high-level exercise will help you avoid wasting those resources on an unpromising candidate.

Due Diligence Guidelines
Partner: _______________

1) Who should manage the due diligence process?
2) What, if any, internal initiatives will we have to cancel, scale back, or delay in the interest of pursuing this partnership?
   a. What are the potential costs of those tradeoffs?
   b. What is the potential cost of a competitor engaging in a partnership with this company if we do not?
3) What impact will this partnership have on our firm's share price and earnings per share?
4) How have the partner's products or services performed recently?
5) What opinion do suppliers, customers, and analysts have of the partner?
6) How much in value does this partnership put at risk (e.g., risk to shareholder value, company share price)?
7) Would this partnership create a new competitor with access to our core skills?
8) Would the partnership affect the competitive position of our other businesses?
9) What is the scope of legal liabilities (i.e., where, who might be affected, and what size might the liability be)?
10) How will banks, investors, funds, employees, customers, suppliers, and unions react to the partnership?
11) What will be the range of governance and control (i.e., who is accountable, who has authority, who has responsibility)?
12) What will be the degree of obligations and rights (i.e., what are the penalties, the rights, and the arbitration and divorce procedures)?
13) What will be the impact on our company from partnership compensation, structure, rewards, etc.?
14) Would the partnership violate any antitrust laws?
15) Do the partner's facilities/sites or product lines face any legal or regulatory liabilities?
16) How well established, and how trustworthy, is the legal system in the partner's home country?
17) Who would hold the balance of power (us or the partner) in the following categories?
    - Product or process technology
    - Brand ownership
    - Channel control
    - Manufacturing capacity
    - Ability to invest in the business
    - Local relationships (such as regulators)
    - Global relationships (such as global suppliers or customers)
    - Management control
18) What are the corporate formalities and laws in the partner's home country that would impact our relationship?
19) What are the worker participation rights in the partner's home country?
20) Will local laws restrict the percentage of foreign ownership or mandate a specific level of local control?
21) Will local law require government approval of initial or subsequent investments, withdrawal of funds, or conversion of payments into other currencies?
22) Will we be able to protect our intellectual property?

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP TWO: PARTNER EVALUATION (CONTINUED)

Tool #3: Partner Proposition Worksheet

Overview

What is it?
A framework for planning your approach to a company you would like to invite into a strategic partnership.

Why should you use it?
It will help you easily and efficiently structure your outreach to each partner you seek to engage. This worksheet will also help you brainstorm the right message for each partner (since you will modify your pitch depending on perceived partner interest and need).

Partner Proposition Worksheet

1) Why we are pursuing a strategic partnership; consider sharing:
   a. Context of partnership within larger growth strategy
   b. Perceived market need or opportunity
   c. Identified capability gaps
2) What we believe the partnership can accomplish; consider the following:
   a. Revenues
   b. Market share/access to new markets
   c. Shift in the competitive landscape
   d. Margins
   e. Time-to-market for new products
3) Level of our commitment to the partnership; consider sharing:
   a. Funding levels
   b. Senior executive involvement
4) Why we identified [Partner]; consider discussing [Partner's]:
   a. Unique capabilities
   b. Reputation
   c. Past relationship with our organization
   d. Success rate with previous strategic partnerships
5) What we believe we bring to a potential partnership; consider discussing your:
   a. Revenues
   b. Market presence
   c. Marketing expertise
   d. Brand
   e. Global reach
   f. Distribution channels
6) What we expect from a partner (and what we would deliver in return); consider the following:
   a. Funding
   b. Commitment
   c. Visibility
   d. Collaboration
   e. Trust
   f. Honesty
   g. Time
   h. Access to markets/customers/data

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP THREE: PARTNERSHIP NEGOTIATION

Tool #1: Term-Setting Framework[25,26]

Overview

What is it?
A list of key questions that can shape your approach to partnership negotiation.

Why should you use it?
By answering these questions before entering more detailed negotiations with a strategic partner, you can help build agreement on core elements of the partnership's foundation before writing the contract.

Term-Setting Framework

Overview

- What is the scope of the partnership?
- What types of tangible and intangible assets will be contributed by each party? What happens if more is needed than originally planned?
- What is the realistic life span of the partnership?

Performance measurement is discussed in more detail in Phase 4.

Performance Assurance

- What timetables or performance quotas for completion of the partnership's projects will be included in the agreement?
- What are the rights and remedies of each party if these performance standards are not met?
- What economic rewards and penalties should be included to encourage collaboration?

Governance

- How will issues of management and control be addressed in the agreement?
- What will be the respective voting rights of each party?
- What are the procedures for resolution in the event of a major disagreement or roadblock?

Legal Structure

- What covenants of nondisclosure or noncompetition will be expected of each partner during the term of the agreement and thereafter?
- What is the most efficient legal structure for the alliance in terms of taxes and liabilities?
- How should major risk contingencies be addressed, such as a change in the regulatory climate that affects how business is conducted in a particular market?
- What rights do the parties have to each other's information (e.g., financial statements, tax filings, reports sent to government agencies)?

Termination

Partnership termination is discussed in more detail in Phase 4.

- What are the most likely reasons the alliance will end?
- To what extent would partnership termination threaten our company's health or survival?
- What is the likelihood of the other party becoming insolvent or bankrupt in the near future?
- What if the other party files for bankruptcy and terminates the agreement under protection of federal bankruptcy laws?
- Are there natural decision points for terminating or recommitting to the alliance?
- Will certain structures or asset contributions make it easier for us to exit the alliance, or harder for the partner to do so?
- Is it in our interest to make it harder for our partner to exit the alliance?
- What will be the hardest tasks in closing down the alliance (for example, valuing assets or determining future ownership)?

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP THREE: PARTNERSHIP NEGOTIATION (CONTINUED)

Tool #2: Agreement Template[27]

Overview

What is it?
A list of items that your partnership contract should include and a set of guidelines to help you design a fair, user-friendly agreement.

Why should you use it?
It will help you apply consistent standards across all contracts that you write, and it will help you write those contracts more efficiently.

Agreement Template

Part 1: Contract Development Checklist
Your strategic partnership contract should include all of the following:

- Clear objectives and defined levels of commitment
- An organizational structure that complements the partnership strategy
- Investment and compensation rewards tied to clear performance measures
- Specific metrics for assessing partnership performance
- Finance, tax, and legal considerations
- Detailed penalty, arbitration, and divorce clauses
- Provisions to renew the commitment to the alliance
- Formulas for transfer pricing, earnings, and equity clearly defined and linked to resource and capability contribution
- An alliance board of directors that is reflective of the resource contribution of each partner
- A formula for tallying asset and capabilities contributions

Part 2: Contract Design Guidelines
Follow these rules to ensure your contract is fair, comprehensive, and straightforward.

- Separate economic and decision-making control
- Seek the casting vote or veto power on certain strategic or growth decisions
- Agree in advance on 10 to 15 key decisions
- Develop a decision-making map
- Create conflict resolution mechanisms
- Create room for growth or change in the partnership
- Establish exclusive arrangements when necessary
- Anticipate and negotiate changes in scope
- Define how (through what platform, with what frequency) you will share information with your partner
- Address termination circumstances, terms, and consequences
- Take care with “buy-sell” provisions
- Assess who is likely to be buyer or seller in the result of a merger or acquisition

Reminder! This agreement template includes high-level items that most contracts will address. However, you can narrow these categories based off specific circumstances. For example, if your partnership will take your company into a new geography, your section on tax considerations will likely focus on setting payment expectations for local taxes and tariffs, government dispute resolution processes, or the sharing of tax liabilities and benefits. Consider this template a starting-point for more detailed terms and conditions.

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP THREE: PARTNERSHIP NEGOTIATION (CONTINUED)

Tool #3: Implementation Effectiveness Report Card

Overview

What is it?
A set of criteria to help you evaluate how well you have implemented the strategic partnership across both companies' organizations.

Why should you use it?
Regardless of how strong a fit two partners are, or how well-written the agreement may be, the partnership will not succeed without effective, committed implementation. This report card will grade your progress in integration (and highlight areas where you may be undervaluing the significance of a key activity).

Implementation Effectiveness Report Card (Sample)

Directions: *Assess (1) how well each of the statements listed below describes your company and (2) the priority that your company places on completing these tasks. Consider sharing this report card with each of your strategic partners.*

Statement	Statement Accuracy (Yes, no, working on it)	Prioritization (High, medium, low)	Grade
We have established a partnership implementation team (PIT).	Yes	High	A
The PIT is comprised of individuals from each applicable functional group at both of our companies.	In progress	High	B+
The PIT meets regularly to discuss integration progress and challenges.	In progress	Medium	B
The PIT communicates regularly between meetings and proactively collects feedback from their companies' stakeholders.	No	Low	
The PIT reports directly to senior-most executives at both companies.	Yes	High	
We have invited resistors and skeptics to share their concerns with the PIT.	In progress	Medium	
We have given partnership champions a platform for extolling the collaboration within their organizations.	No	High	B-
We have a clear statement (i.e., mission and vision) of our partnership.	Yes	High	A
We have clearly communicated our mission and vision to the larger organization.	Yes	Medium	A-
We have set expectations throughout the company on information-sharing responsibilities and limits.	Yes	High	A
We are inspiring trust in the collaboration at all levels of our organizations.	No	Medium	B-
We have identified all stakeholders with a vested interest in the success of this partnership.	Yes	High	A
We have taken steps to develop education and socialization processes between our two organizations.	In progress	Medium	B
		Grade:	B+

Responses highlight disconnects in action and prioritization and can therefore direct future integration efforts.

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP FOUR: PARTNERSHIP ANNOUNCEMENT

Tool #1: Partnership Announcement To-Do List

Overview

What is it?
A list of all the elements you need to assemble for a broad announcement of your strategic partnership. It will help you manage progress toward the discrete steps comprising the start of your communications campaign.

Why should you use it?
Any awareness campaign will begin by informing the media of your news. This checklist will direct those early efforts and ensure that you kick off your campaign with a comprehensive, well-timed announcement. Finally, this tool also functions as a high-level dashboard for you to evaluate progress across all activities.

This activity list is for illustration purposes; you may need to tailor it more specifically to your needs.

Partnership Announcement To-Do List

Activity	Status	Start Date	Due Date	Owner
Development of value proposition	Done	April 15	May1	Jake
Partner sign-off on communications strategy	In progress	April 15	Ongoing	Dan
Press release	Done	May 25	June 1	Jake
Twitter announcement	Done	May 25	June 1	Jake
Communication with bloggers	In progress	June 1	August 1	Katherine
Live podcast	Done	May 25	June 1	Jake
Company background sheet	In progress	June 1	June 15	Dan
All materials linked to press section of web site	Not yet started	June 20	August 15	Dan
All other updates to web site	Not yet started	June 20	August 30	Dan
Nomination of press point of contact	Done	April 15	May 1	Dan
New agency signing	Done	March 1	April 30	Katherine
Production of new creative materials (e.g., collateral, digital and print ads)	In progress	May 15	June 5	Katherine
Distribution of talking points to Sales, Marketing, and Communications	Done	May 1	June 1	Cynthia
Preparation of FAQ's	Done	April 30	May 15	Katherine
Attendance at key market events (e.g., conferences, fairs)	In progress	June 1	October 1	Cynthia

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP FOUR: PARTNERSHIP ANNOUNCEMENT (CONTINUED)

Tool #2: Press Release Template

Overview

What is it?
A template to help you write a press release announcing your company's strategic partnership.

Why should you use it?
Following a template for press releases will (1) make it easy for you to issue the announcement and (2) standardize announcements for all partnerships, creating message consistency for your company and your brand.

Press Release Template (Sample)

Headline stating company name and news

Company A Announces Strategic Partnership with Company B

Agreement Delivers [value] to [targeted customer group]

Company A, a leading provider of [brief description] to [customer group], today announced a strategic partnership agreement with Company B, a firm that delivers [brief description] to [customer group].

The specific news you are announcing today

Through its comprehensive [solution set OR product suite], Company A helps companies…[insert detail on value proposition and target market].

"Quote from CEO or other senior executive from Company A, touting the strategic partnership and what it will allow Company A to accomplish, what capabilities it will grant Company A, etc."

"Quote from CEO or other senior executive from Company B, touting the strategic partnership and how it will help Company A achieve its goals."

Explanation for strategic partnership; insertion of additional product or service information

About Company A
[Insert standard boilerplate here]

About Company B
[Insert standard boilerplate here]

Insertion of standard company information

FOR MORE INFORMATION:

For Company A:

[Name, phone, email]

For Company B:
[Name, phone, email]

Insertion of contact information for main points of contact

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP FOUR: PARTNERSHIP ANNOUNCEMENT (CONTINUED)

Tool #3: External Communications Planning Checklist

Overview

What is it?
A list of questions, which you can use in conjunction with the Internal Communications Planning Checklist, to help you shape communications surrounding your strategic partnership. It will provide you with a clear strategic direction for your campaign that will guide your subsequent channel and campaign strategies.

Why should you use it?
The template's simplicity will make it easy for you and your team to sketch, at a high level, your entire communications plan before and after announcing a strategic partnership. It therefore helps prevent any premature or misdirected rush into tactics and reduces the likelihood of unnecessary rework due to unclear direction.

External Communications Planning Checklist

A. How will Marketing/Corporate Communications support the strategic partnership?

1. What unique aspect of the partnership might inform or direct our communications strategy?
2. What market factors might influence our communications strategy?
3. What is our marketing objective for this partnership?
4. How will we measure communications success?

B. How will we define the customer (or consumer) for the purposes of this partnership?

1. What are the specific customer segments we will target with news of this strategic partnership?
2. What do we know about these customer groups at an in-depth or personal level? What are their goals, desired outcomes, challenges, and needs? Who are their key influencers?

C. What are our communications goals for this partnership?

1. What do we expect communications to accomplish in the early stages of the partnership?
2. How do we expect communications to support the partnership in the long-term?
3. What communications channels should we consider?

D. What communications channels do we think will align best with our goals?

1. Why/how do these channels support our communication goals?
2. How will each channel support the partnership?

E. What is the "common thread" message that will unite all of our communications efforts across all channels?

1. What is the key thought we want to communicate?
2. What are the primary benefits we will convey?
3. How will we make our message believable? Is it a rational or emotional message?

Reminder! Responsibility and accountability for effective communications should rest with the executive team (as opposed to delegating to junior managers or corporate communications exclusively). This exercise is specifically designed to drive a holistic approach to planning and focus energy on an integrated communications plan right from the start of your strategic partnership.

Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP FOUR: PARTNERSHIP ANNOUNCEMENT (CONTINUED)

Tool #4: Internal Communications Planning Checklist[28]

Overview

What is it?
A list of questions, which you can use in conjunction with the External Communications Planning Checklist, to plan your communications strategy and help you announce the strategic partnership to employees.

Why should you use it?
Employee support for the strategic partnership is critical to its success. By preparing internal communications, anticipating training needs, and encouraging feedback, you can help bring about desired employee commitment to the initiative.

Internal Communications Planning Checklist

Employee Segmentation

Consider tailoring your internal communications to employee segments for greater message resonance (as you would when marketing externally). Consider the following:

1) Which segmentation model will best enable us to achieve employee buy-in to the partnership?
    a. Level of commitment to partnership (e.g., champions, resistors, neutrals)
    b. Function (e.g., Sales, Marketing, Research & Development)
    c. Career goals (e.g., opportunities to increase pay, manage others)
    d. Other:
2) How will we ensure that employees are segmented accurately (e.g., that a "partnership champion" is identified as such)?
    a. Surveys
    b. Meetings
    c. Anecdotal feedback
    d. Other:
3) How does each segment receive and process information?
4) To what extent can we task visible, influential employees with sharing partnership news through word-of-mouth channels?
    a. How can we identify those individuals?
    b. Should we identify segment-specific "influencers," or seek individuals whose reputation and visibility transcend segments?

Message Development and Delivery

By anticipating and proactively answering employee questions regarding the partnership, you can ease concerns and mitigate resistance to change. Consider the following when building your internal communications plan:

1) What information must we include as a baseline? Consider:
    a. How does the strategic partnership change our current organizational structure?
    b. Who are the primary points of contact for partnership-related questions?
    c. What will be the partnership duration?
    d. How does the strategic partnership fit within our company's larger growth objectives?
    e. Will any of our established processes change as a result of the partnership?
2) What employee concerns should we proactively address? Consider:
    a. What is the psychological cost of adapting to the partnership (i.e., how difficult or stressful will this change be)? How will we help our employees accept the new status quo?
    b. What is the opportunity cost of adapting to the partnership (i.e., what tasks or goals will be sidelined to allow employees to dedicate sufficient time to ensuring the partnership's success)?

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Phase 3: Partnership Formation

Step	Partner Screening	Partner Evaluation	Partnership Negotiation	Partnership Announcement

STEP FOUR: PARTNERSHIP ANNOUNCEMENT (CONTINUED)

Tool #4: Internal Communications Planning Checklist (Continued)

Message Development and Delivery (Continued)

4) What is each segment's role in implementing the partnership? Consider:
   a. Maintaining open communication with the strategic partner
   b. Leading the organization through the change
   c. Explaining the partnership to customers
   d. Supporting joint selling efforts
   e. Integrating systems (e.g., CRM) with those of the strategic partner
   f. Other:

5) Through which channels should we announce partnership news and share updates? Consider:
   a. Memos
   b. Training sessions
   c. Meetings
   d. Updated policies and processes
   e. Blogs
   f. Newsletters
   g. Emails
   h. Videos

6) From whom should these messages originate?

Incentive Structure

To ensure employees support the strategic partnership, you may need to implement an incentive plan that changes or reinforces desired employee behavior.

1) How might the following incentives ease employees' resistance to supporting the partnership?
   a. Cash bonuses
   b. Awards
   c. Companywide recognition programs
   d. Prize draws
   e. Competitions (based off sales, customer service quality, etc.)
   f. Other:

2) What would be an appropriate mix of financial and non-financial incentives?

3) To what extent should incentives be dependent upon partnership performance?

Employee Engagement

Voice of the Customer is just as important when communicating with your employees as it is when communicating with your external customers. Be sure to build feedback mechanisms into your internal communications plan. Consider the following:

1) How do employees' current skill sets align with what we need of them post-partnership announcement?

2) What training can we offer to up-skill employees?

3) How will we justify the cost of training programs (i.e., what is their projected ROI)?

4) How can we prepare employees to engage properly with customers post-partnership announcement?

5) How should we capture employees' responses to the partnership news and their implementation success?

6) How can we ensure role clarity and job satisfaction throughout the partnership transition?

Communications Effectiveness

If your internal communications efforts are successful, you should see a close alignment between the organization's goals and desired employee behavior. Consider how to track this alignment over time.

1) Which metrics will best indicate the effectiveness of our internal communications campaign? Consider:
   a. Employee retention
   b. Customer satisfaction
   c. Frequency of employee feedback
   d. Degree of participation in focus groups, competitions, incentive programs

2) What short- and long-term deadlines should we set for achieving our internal communications goals?

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PHASE 4: PARTNERSHIP MANAGEMENT

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PHASE 4: PARTNERSHIP MANAGEMENT

Where Are We Now?

Completion of the exercises featured in Phase 3 has enabled you to:

- Screen strategic partners based off their fit and level of interest
- Negotiate a mutually beneficial agreement with a selected partner
- Finalize the agreement in a comprehensive contract
- Announce the partnership to stakeholders, employees, and customers

At this point, you should have a finalized, publicized partnership with a well-aligned strategic partner.

What Do I Do Next?

Your next step will move you from partnership development and implementation into partnership supervision. Phase 4 will give you the tools to evaluate your partnership's performance quantitatively and qualitatively. By tracking progress against specific metrics and capturing valuable feedback, you can assess the partnership's continuing viability and make adjustments accordingly.

Outlined below are the activities and steps you need to complete in Phase 4. The pages that follow will highlight the information and resources you need to complete each of these steps.

PARTNERSHIP MANAGEMENT: KEY STEPS AND TOOLS

STEP	PURPOSE	SAMPLE TOOLS
Performance Measurement	Assess the partnership's performance against a specific set of measurable criteria	Performance Dashboard Template
Feedback Collection	Capture customer and stakeholder feedback regarding the partnership's potential and performance	Customer and Stakeholder Feedback Collection Template
Viability Assessment	Determine the business case for sustaining, growing, or terminating the partnership	Relationship Health Audit

Phase 4: Partnership Management

Step	Performance Measurement	Feedback Collection	Viability Assessment

STEP ONE: PERFORMANCE MEASUREMENT

Tool #1: Performance Dashboard Template[29]

Overview

What is it?
A performance dashboard template to help monitor your strategic partnership's performance.

Why should you use it?
It will help monitor your partnership's implementation success and communicate results to the executive team.

A. Partnership Overview (Sample)

Metric	Target	Performance	Trend	Action Items
Revenue growth/total sales year-over-year	18% growth in first year	20% growth in first year	Increasing	Isolate drivers of high performance
[Partnership-related] sales as percentage of total sales	5% of total sales	3% of total sales	Tracking to hit goal	Continue with plan
Average margin	7%	8%	Above expectations	Continue incentive program
Market share	15%	12%	Trending upwards	Continue with plan
Cost savings	12%	10%	Tracking to hit goal	Continue with plan

B. Sales Performance

Metric	Target	Performance	Trend	Action Items
Average length of sales cycle	3 months	4 months	Sales taking too long	Isolate/analyze deal barriers
Average deal size	$40K USD	$45K USD	Above expectations	Continue incentive program
Win rate	20%	12%	Below expectations	Conduct win-loss analysis
Average time to fill order	1 week	2-1/2 weeks	Below expectations	Improve inventory forecasting

C. Product/Service Development

Metric	Target	Performance	Trend	Action Items
Product development cycle time	8 months	12 months	Above expectations	Reduce # products in pipeline
Margins on partnership-generated products or services	8%	6%	Tracking to goal	Continue with plan
ROI on partnership-generated products or services	$1M USD in first year	$750,000 YTD	Tracking to goal	Continue with plan

D. Customer and Stakeholder Satisfaction

Metric	Target	Performance	Trend	Action Items
Number of customer complaints	0	7	Above acceptable rate	Isolate causes of dissatisfaction
Customer attrition	0	10%	Above acceptable rate	Design retention incentive program
Employee retention	100%	70%	Below target	Track number over next quarter
Partner Integration:				
• # FTEs focused on partnership	30	15	Below target	Discuss variance with partner
• % of system integration	100%	25%	Below target	Discuss variance with partner

Phase 4: Partnership Management

Step	Performance Measurement	Feedback Collection	Viability Assessment

STEP TWO: FEEDBACK COLLECTION

Tool #1: Customer and Stakeholder Feedback Collection Template

Overview

What is it?
A form you can use to survey your customers and stakeholders' opinion on the performance or effectiveness of your strategic partnership. Sales reps in particular should complete this form following interactions with customers.

Why should you use it?
It will help you identify areas of concern that need to be addressed. Importantly, this survey will also help you maintain open communication with your sales force, partnership stakeholders, and key customer segments that the partnership is designed to target.

Feedback Collection Template

Partner: ___________ **Stakeholder/Customer: ___________**

1) Please rate the stakeholder or customer's response to the following aspects of our strategic partnership:

	Very Positive	Positive	Neutral	Negative	Very Negative
Partnership Objectives					
Partnership Performance					

2) What is the probability this partnership will succeed? *Note: This question should only be asked to employees, not customers*

0%	25%	50%	75%	100%

3) Please rate the stakeholder or customer's response to the following attributes of our partnership or partnership-generated products/services.

Rating Scale: **5** = Very Positive; **4** = Positive; **3** = Neutral; **2** = Negative; **1** = Very Negative

1. [Attribute] _______	5. [Attribute] _______
2. [Attribute] _______	6. [Attribute] _______
3. [Attribute] _______	7. [Attribute] _______
4. [Attribute] _______	8. [Attribute] _______

4) In which areas do you think this partnership could be more successful?

For Stakeholders:
- Collaboration
- Trust/Communication
- Commitment
- Visibility

For Customers:
- Product or service quality
- Order fulfillment time
- Customer service quality
- Communication clarity

5) What objections or questions do you have about the partnership, which have not yet been addressed to your satisfaction?

6) Which communication materials did you find most helpful (e.g., press release, FAQs)?

Phase 4: Partnership Management

Step	Performance Measurement	Feedback Collection	Viability Assessment

STEP THREE: VIABILITY ASSESSMENT

Tool #1: Relationship Health Audit[30,31,32]

Overview

What is it?
A list of questions to help you determine the health of your strategic partnership and the business case for continuing, expanding, shrinking, or terminating the relationship

Why should you use it?
It will help you evaluate a partnership according to several key indicators (e.g., compatibility, conflict) of future partnership success. Answers to these questions will help you identify potential red flags, which you can then preemptively address.

Relationship Health Audit

Part 1: Relationship Analysis

Answer the questions listed below to determine the health of your strategic partnership.

Compatibility

- Is this partnership still in line with our strategic objectives? Is it still in line with our partner's strategic objectives?
- Is the purpose for this partnership still valid?
- Have our attention and focus moved elsewhere? Has our partner's?
- Have any conditions outside our control (e.g., geopolitical, technological, customer, regulatory, competitive):
  - Enhanced the need for our strategic partnership
  - Nullified the need for our strategic partnership
  - Shifted alignment between our two companies
- Does this partnership still present the best opportunity for us to gain market share and access valuable capabilities, given what's involved in making this partnership work and other partnership options that have become available to us since we first launched?
- What is the degree of symmetry in knowledge transfer between us and our partner (i.e., is one of us getting more out of this arrangement than the other)?

Commitment

- Is each partner still contributing the promised level of resources?
- Has this alliance become the baby of one or more senior champions, but still lacks companywide commitment?
- Do we have less interest in the performance of this partnership than we once did (i.e., do we have less desire to make it work)?
- How embedded is each partner in the other's operations?

Conflict

- What issues (e.g., mistrust, lack of collaboration) currently plague the relationship?
  - Which of these issues might threaten the partnership in the near future?
- What is the likelihood that one partner wants to terminate the relationship, while the other wants to move forward?
- Are we concerned about disproportionate resource or capability contributions?
- Is continuing with the alliance a risk mitigation strategy (e.g., is this partner one that you cannot afford to terminate because you have transferred so much of your knowledge to them that you may have educated a competitor)?

Communication

- Do any of the relationship management methods, roles, or protocols need adjusting?
- Which relationship management strategies should be changed, dropped, or extended?
- Are there reasons to change other aspects of the partnership?

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(Continued on the following page)

Phase 4: Partnership Management

Step	Performance Measurement	Feedback Collection	Viability Assessment

STEP THREE: VIABILITY ASSESSMENT (CONTINUED)

Tool #1: Relationship Health Audit (Continued)

Relationship Health Audit

Part 2: Action Items

Based off your answers to the questions in Part 1, use the guidelines below to determine your next steps.

- Based off our assessment of this partnership's health, we believe it would be best to:
  - Maintain relationship status-quo
  - Expand the scope of the relationship
  - Scale back the relationship
  - Terminate the relationship
- *If you plan to continue the relationship, outline:*
  - The steps we will take to improve the partnership relationship
  - The steps we expect our partner to take to improve the relationship
  - Timeframe for seeing expected improvements in the state of the relationship
- *If you decide to terminate the relationship, continue to tool #2.*

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Phase 4: Partnership Management

Step	Performance Measurement	Feedback Collection	Viability Assessment

STEP THREE: VIABILITY ASSESSMENT (CONTINUED)

Tool #2: Partnership Termination Guidelines[33,34]

Overview

What is it?
A list of questions that you should consider when planning a partnership termination.

Why should you use it?
The termination of a complex, often long-standing agreement can be a cumbersome process. The better you plan for termination contingencies, the simpler it will be to end the relationship. Consider building answers to these questions into your partnership contract: it's much easier to set the terms in a collaborative, non-combative environment than it would be once you (or your partner) have decided to dissolve the relationship.

Partnership Termination Guidelines

Successful partnership termination will require you to have answers to the following questions:

- Do we need to pay a termination fee?
- How do we need to notify our partner of our intent to terminate the agreement?
- What are the responsibilities of the parties after termination of the agreement?
- What is each party required or entitled to do at termination of the agreement?
- What is each party prohibited from doing?
- How will we ensure an orderly transition when the agreement terminates?
- How will we divide ownership of any tangible assets, such as technology, equipment, or land?
- Will we be subject to any non-solicitation or non-competition covenants? Will our partner?
- How will we deal with liabilities (e.g., termination costs of employees who may continue to be owed salary and benefits post-partnership)?
- Will we resolve any lingering disputes with our partner through arbitration, mediation, or litigation?
- How will we divide or share:
  - Intellectual property agreements
  - Licensing agreements
  - Rights over sales and territories
  - Obligations to customers
- What will happen to any staff directly employed by the partnership?
  - Will they be absorbed into our company? Into the partner's?
  - Will some or all employees lose their jobs? If so, under what obligation are we to those who are terminated?

Reminder! You may want to consider these termination issues when drafting the partnership contract. If you've already got mechanisms in place to dictate the terms of termination, it will be much easier for you to extricate yourself from the partnership.

END NOTES

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END NOTES

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