



THE POWER OF TWO

**How Companies of All Sizes
Can Build Alliance Networks
That Generate Business
Opportunities**

**JOHN K. CONLON AND
MELISSA GIOVAGNOLI**

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Build Alliance Networks That
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*For my father, James P. Conlon.
His integrity and ability to always do the right thing
endeared him to many.*

Acknowledgments

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Hoffman Estates, Illinois
April 1998

Melissa Giovagnoli

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Chicago, Illinois
April 1998

John K. Conlon

The Authors

Melissa Giovagnoli is the author of four successful books, including *Make Your Connections Count: The Six-Step System to Build Your MegaNetwork* (Dearborn). For more than sixteen years she has been helping individuals and corporations understand the powerful networking process she created that accelerates growth through alliance strategies. In this age where the network is quickly becoming the dominant form of organizational development, Giovagnoli offers a unique and effective system for achieving twenty-first century growth. Her community alliance-building program has been used by organizations such as AT&T.

Giovagnoli has also been a guest on both radio and television, including on *The Today Show*, CNN, WGN, CNBC, and Fox. Her most recent book was featured on Oprah Winfrey's program. Her clients have included Dean Foods, AT&T, Humana Hospitals, and Price Waterhouse, as well as dozens of smaller companies and organizations. She is president of Service Showcase, Inc., an innovative training, strategic planning, and consulting firm.

John K. Conlon is a director of alliances at Andersen Consulting. He is a leading proponent of alliances as part of corporate business strategies; for fourteen years he has worked with senior executives to develop and implement alliance strategies. He advises major corporations and small companies on implementing alliances to expand their markets, and is a leader in working with competing companies that want to form alliances to meet their business goals.

Conlon provides thought leadership on alliance development and management, and he regularly addresses senior managers on the topic. His experience has enabled him to develop valuable tools, rules of thumb, and methods.

He earned a bachelor of science degree in electrical engineering from the University of Notre Dame. He lives in Wheaton, Illinois, with his wife Kathleen and their three children, Robert, Donna, and Michael. Since 1987, he has volunteered as a leader in the Boy Scouts of America.

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Introduction

The Power of Two Alliances

It was almost three years ago when Melissa and I met to discuss our potential alliance opportunity: this book. It started as a mutual colleague's suggestion that Melissa—a specialist in using networking as an organizational growth model—contact me because, as she put it, “I heard John speak, and I think you two share the same perspective on alliances.”

From that original meeting we both discovered that we not only share the same perspective, we possess remarkably similar visions and values. We were pleased to learn that we both subscribe to the belief that the foundation of any good alliance is a warm personal relationship rather than some cold piece of paper. We both saw that the success of companies moving forward into the next century depends on their commitment to focusing on relationships rather than transactions. We both agreed that two alliance-minded people, each representing a different organization, could orchestrate opportunity-driven collaborations that would be far more effective than the deal-making partnerships of the past. We coined the term “Power of Two” to describe our concept and began working and writing together. Those efforts resulted in this book.

With Melissa's extensive work with networks and mine as a director of alliances at Andersen Consulting, we found ourselves wonderfully positioned to provide a guide for forming a new type of alliance. Through our many real-life experiences and extensive research into hundreds of different alliances, we sat down to write a book that would offer a road map to achieving collaborative effectiveness. As you will see, this book is very user friendly. We didn't

want to write something academic or theoretical. We wanted something that would offer readers tools and techniques for forming and managing a new business alliance in a new business environment.

To that end, each chapter is filled with ideas and questions designed to help you do all of the following:

- Choose the right person to head up your alliance efforts.
- Create a strategy that will allow you to partner productively with competitors, smaller and larger companies, and organizations with dissimilar cultures.
- Build speed and flexibility into the alliance by building trusting relationships.
- Pursue opportunities through knowledge and idea exchanges.
- Manage the alliance so that conflicts and concerns (the kind that routinely tear apart traditional collaborations) don't undermine a productive partnership.
- Develop an alliance network that you can leverage for all sorts of opportunities.

We don't believe this type of alliance development and management is optional; it is a necessity of a business era where teaming and relationships are becoming far more important than deal making and power brokering. Both Melissa and I have seen more than one organization fail in partnering efforts because they were stuck in the old partnering paradigm. Just as importantly, we've seen a number of companies cocreate great new opportunities because they embraced the Power of Two concept.

Throughout this book we'll help you transition from old to new partnering approaches. One of the best ways to start making this shift is by developing a Power of Two mind-set. It is a mind-set that is open, adaptable, proactive, innovative, and informed. Most of us think that we and our organizations possess this mind-set when we set forth to team with other companies. To test whether you do, answer the following questions:

1. Do you know who's partnering with whom in your industry? Are you aware of all the alliances being formed? Have you analyzed which companies might make good partners for your organization?
2. Have you ruled out organizations as potential partners because they're too small or too large, because they're competitors, or because they have different cultures than yours?
3. Have you identified people within your own organization who are great collaborators, who possess the communication and relationship-building skills critical for partnering, who have built strong networks internally as well as externally?
4. Are you open to investing in an alliance that promises no immediate return on your investment? Are you willing to make your initial goal acquiring exciting new ideas and information?
5. Have you ever trusted a collaborator enough that you were willing to work with them without a formal contract? Would you be willing to do so in the future?
6. If you formed an alliance to pursue one opportunity and another one popped up unexpectedly, would you be willing to switch directions if the former was a "sure thing" and the latter wasn't but held greater promise?
7. How much do you know about a prospective partner's culture, about its philosophies, policies, and procedures? Do you have a sense of its beliefs and values?

A Case Study

The Power of Two alliance concept, like many alliance approaches, isn't worth much unless it's grounded in example and practical advice. We hope to provide you with plenty of both. We'll try and answer the most commonly asked questions and address the issues that often come up when people are interested in forming and managing this new type of alliance.

To give you a sense of how we'll do this, we'd like to share with you a hypothetical case study where we've inserted in parentheses the representative chapter related to the issue being discussed. This should preview some of the topics we cover and facilitate understanding of how our ideas fit into a typical alliance development process.

ABC Technologies, Inc., a company that designs and develops alternative fuel systems for a number of vehicles for Fortune 500 Car Company, Inc., created an alliance with Fortune 500 approximately two years ago. It began when ABC's director of marketing, Susan Wield, met John Janson, the director of marketing for Fortune 500 Car, at a trade show in Chicago. John and Susan spoke extensively about their business connection. As they spoke, they also shared their mutual interest in capitalizing on the relationships they'd developed at a number of industry organizations in order to pursue various opportunities, including building alternative fuel vehicles (Chapter Four: Leveraged Network). Susan teased John that she thought it would be highly unlikely that the two companies could actually become alliance partners, but John, who was always eager to explore exciting if unlikely possibilities, decided to analyze some scenarios (Chapter Five: The Alliance Champion).

John started talking with his company's director of operations and director of finance separately, asking questions like, "What if we formed an alliance with a company that could cocreate an opportunity like developing new fuel delivery systems?" To his surprise John found his colleagues rather receptive. Each suggested taking the idea forward to their annual strategic planning session, which was coming up within the next month. John brought the positive news back to Susan during their biweekly phone calls to one another. With John's enthusiastic support of the idea, Susan decided to shop it around in her own organization.

After speaking with several people, Susan met with ABC's head of research and development, Adam Sampson. Adam said he was taking a class in his MBA curriculum that focused on strategic al-

liances. He mentioned to Susan that he thought their organization would also be very supportive. He said there were constant rumors that the company would have fewer dollars in upcoming years to support the kind of R&D Adam thought necessary to sustain its current profit level. An alliance such as the one Susan had in mind might open new, more profitable markets to the company.

Susan took this information back to John, who then passed it on to his growing network of alliance supporters. John and Susan continued to discuss their initiative and to strategize how to proceed in building a successful alliance (Chapter Six: Alliance Analysis). Their discussion included many questions: Who would make decisions related to the alliance (Chapter Eight: Rules of Engagement)? How would they avoid the suspicion and second-guessing that they experienced in past partnerships (Chapter Nine: Trust)? How, given the companies' very different cultures, might they deal with those differences so that one partner wouldn't get disgusted with the other's way of doing things (Chapter Ten: Cultural Criteria)?

When the two organizations and their champions (Susan and John) met they spent the majority of their three hours together discussing the alternative fuel car market and other ideas and possibilities that dovetailed with their combined strengths (Chapter Seven: Cocreating Business Opportunities). This included ideas such as cross-licensing the use of the new technology they codevelop, cocreating new technologies with additional alliance partners, and sharing ongoing research findings.

Avoiding the Mistakes That Doom Alliances

One of the catalysts for this book was our observation of and participation in alliances that failed. As much as we hope you'll adopt our Power of Two strategy, we also hope you'll reject the myths, misconceptions, and myopia that plague collaborative efforts. See if any of the following mistakes sound familiar:

Putting the wrong people in charge of the alliance. In Power of Two alliances, champions are brilliant at building relationships, establishing trust, and achieving consensus. We've seen many alliance

heads and relationship managers who were lone rangers, inflexible and unwilling to compromise. Their reasoning was: we need to put a strong guy in charge of our alliance work to balance out their strong guy. If “strong guy” means obstinate and individualistic, the alliance is in trouble.

Not taking alliances seriously. In other words, some senior managers don’t support the alliance as much as tolerate it. They don’t provide it with the necessary resources, and top executives don’t communicate the importance of alliances to the company’s business strategy. Power of Two companies recognize that alliances are their future and approach them with great seriousness. One of the largest makers of computer networking equipment has shifted from growing through mergers and acquisitions to growth through alliances. Like many organizations that are moving toward this new form of growth, this manufacturer is now developing support of its alliance partners by switching numerous engineers and customer service resources to that area. It has made financial, strategic, and people commitments to alliances, and those commitments are felt both within the company and at partnering organizations.

Suspecting one’s partner of hidden motives. When two organizations partner, there’s always room for suspicion and jealousy. Invariably someone in Organization A will say, “Organization B is getting a lot more out of our partnership than we are.” When you work with a partner for the first time, a certain amount of questioning should be expected. Problems occur when the questioning escalates to animosity, charges, and countercharges. Power of Two alliances stop this escalation by building a trusting relationship between alliance champions and making sure a plan is in place to address questions from alliance partners.

Winging it. Too many alliances move forward on a wing and a prayer. A company that would never operate without a detailed business plan thinks nothing of partnering without having ever mapped out an alliance strategy. If you don’t take alliances seriously, winging it is a frequent sin.