



# Partnership Has Its Benefits

How strategic partnerships with vendors, suppliers, clients and other organizations can help professional service firms innovate.

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**T**wo out of three CEOs today report that their companies are collaborating with customers and suppliers, according to PricewaterhouseCoopers' annual survey of 1,300 global CEOs.<sup>1</sup> The primary objectives of these partnerships: access to new technology, access to new customers, access to new markets and, importantly, improved innovation capabilities.

"Innovation at the end of the day is about helping your customers grow, whether it's a product or a service line, or the way they do business," says Mike Dabadie, president and managing partner of Heart+Mind Strategies. "Innovation is about being responsive, customer centric and co-creative."

Innovation is never easy. That's why collaborating with the right business partners can be invaluable. It also requires special talent and investment, which is not always a top priority for professional service firms. Almost three out of four insurance firms, for example, report that they lack the core internal skills needed to drive innovation, according to KPMG. A significant number of insurers (45 percent) don't even have a formal innovation strategy.<sup>2</sup>

This management briefing explores the key elements of building and maintaining successful partnerships



between professional service firms and vendors, technology developers, other companies and clients, and how those relationships are helping them innovate and grow.

### **Do What You Do Best**

The business model of many professional service firms rests on the central premise that companies—for cost, expertise and performance reasons—should outsource non-core activities wherever possible to focus on what they do best. Of course, this concept also applies to professional service firms themselves, which can lead to more strategic partnerships and alliances.

"We realize that it's not always possible for us to provide everything our clients need," says Ken Koenemann, senior vice president, business development, for TBM Consulting Group. "By establishing professional partnerships, firms like ours can offer a fully vetted solution that can be implemented

faster, more effectively and with less disruption to our clients.

"When a professional service firm and a technology provider pair together they can bring a complete solution to a client," Koenemann continues. "In our case we have the execution and implementation capabilities that support how new technology can make processes more streamlined."

At a fundamental level such partnerships are about filling gaps and providing complete solutions. What makes those relationships work in the best interests of the clients? In the end it comes down to shared values, says Heart+Mind's Dabadie. Fundamental values like trust, integrity, and a common focus on the end customer.

"Values are the criteria that we use to set priorities and make decisions in life," he explains. "Values are held by individuals, but also by organizations. For both organizations

and people what makes partnerships successful really boils down to having shared values.”

Values aren't statements on a firm's website. They are the actions and behaviors of the people in the organization. Partnership relationships can fall apart when external or internal pressures force a company to focus primarily on “what's in it for them,” and act accordingly. That orientation is reflected in the creation of new ideas, or lack thereof, says Dabadie.

### **Making Long-Term Partnerships Work**

For years Dabadie's market research firm has partnered with Las Vegas-based R&R Partners, a national ad agency with 330 employees. They share some key clients, like the Las Vegas Convention and Visitors Authority. Keeping those client's needs at the forefront aligns their efforts and decision making. Sometimes the decisions that they make aren't always in the immediate best interests of his company, Dabadie acknowledges, but it works out in the long run.

“It's really hard to build this kind of relationship, but it's harder to actually maintain it,” he adds. “Keeping the client as the priority, and innovating around them, is what makes it possible to maintain.”

On the other side of this particular partnership, Mary Ann Mele, president and chief brand officer of R&R, says they deeply value the expertise and insights that Hearts+Minds brings to client engagements. The two firms meet with clients together and collaborate on creative development.

“We've become very aware, as we've grown, of what our core

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— Ken Koenemann, Senior VP of Business Development, TBM Consulting Group

business is, and what it isn't,” says Mele. One of the keys to making this relationship work—or any business partnership—is a high level of candor, she adds. For example, sometimes there can be a personal chemistry issue when the client isn't happy working with someone in the organization. When that's happened, the two firms have been able to get together and figure out a solution.

“We always look at partnerships in the long term. The short term never works out. Long-term relationships are the ones where if you grow a client's business, they'll grow your business. That works 100% of the time,” says Mele. This spirit of collaboration, sharing and problem-solving builds long-term trust. It also fosters creativity and innovation.

“When we find a partner who is truly creative and likes the notion of executing something that's never been done before. That's where the magic happens,” she adds.

Speaking at ERP software developer Infor's recent user conference, Dhiraj Shah's closing point was that “powerful partnerships prevail.” Shah is president and CEO of AVAAP, which has offices in New Jersey and Chennai, India. The system integrator has grown to 200 employees today from 20 employees in 2011. That's

when Shah focused the company on supporting Infor's ERP solutions, more specifically, helping users migrate to the cloud.

“It has been a great journey for us to have such a trusted partnership with Infor,” Shah says. “The results are clearly evident.”

Transparency early in the sales process is key to building long-term partnerships in this market. That means presenting not just the software's capabilities, but its limitations as well. Shah echoes Mele's experience that helping clients succeed is the best driver of growth. “Happy customers invest. It's a very simple message that we lose track of sometimes. If you have happy customers, they will keep investing in software and services,” he says.

### **Not Every Relationship Is a Partnership**

Not everyone can be a strategic partner. Not only is a firm's capacity for such relationships limited, they are not appropriate in all



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— Lawrence Kane, Senior Leader, IT Infrastructure Strategy, Boeing

circumstances. Formal business partnerships actually fall at one end of a continuum of potential sourcing relationships. At the other end are pure transaction-based arrangements, like how most businesses replenish office supplies.

“It’s not one size fits all. It’s not always about best practice. It’s about best fit,” says Kate Vitasek, a researcher at the University of Tennessee and authority on collaborative business relationships. “The more risks and dynamic the business is, the more creativity and innovation you want, the more you have to think about how to optimize for the work, and not just pay to get the work done.”

This applies to professional service firms’ relationships with technology providers, vendors and clients. While developing partnerships and sourcing arrangements that mutually support a business’s strategy are often top priorities for executives, that’s not how companies manage most sourcing agreements. Contract negotiations tend to revolve primarily around charges, liability and risk allocation, according to the International Association for Contract and Commercial Management (IACCM).

While they may fully adhere to procurement policies, the problem with restrictive contracts is that they can stifle creativity and innovation.

“The more you want value, the more you want innovation, the more you want creativity, the less you should tell someone how to do the work,” says Vitasek.

She describes this situation as a “double no-win scenario.” Service providers will meet contractual obligations and agreed-upon service levels, but they are not focused on driving innovation or even efficiencies. As she writes in a recent article, “Because of the transaction-based way they have structured their relationship, they are at a crossroads, with both buyer and service providers wanting innovation – but neither wanting to make the investment.”

## Most Negotiated and Most Important Contract Terms

### MOST NEGOTIATED TERMS



### MOST IMPORTANT TERMS

Limitation of Liability	1	Scope of Goals
Price / Charge / Price Change	2	Responsibilities of the Parties
Indemnification	3	Change Management
Service Levels and Warranties	4	Delivery / Acceptance
Payment	5	Communications & Reporting
Service Withdrawal / Termination	6	Price / Charge / Price Change
Warranty	7	Service Levels and Warranties
Intellectual Property	8	Performance / Guarantees / Undertakings
Performance / Guarantees / Undertakings	9	Payment
Delivery / Acceptance	10	Limitation of Liability

Source: 2013/2014 Top Terms, IACCM.

As presented on the sourcing continuum (below), Vitasek recommends a collaborative hybrid, or vested arrangement that creates values for all parties beyond the conventional buy-sell economics of a transaction-based agreement.

Speaking as a buyer of a variety of business services and professional services, Lawrence Kane characterizes these partnership relationships that foster innovation and new solutions as “transformational.” Partners and suppliers do more than just provide a service, he says, they improve it. Kane is Boeing’s senior leader, IT infrastructure strategy, sourcing and asset management execution.

“Everybody has been saying throughout the history of outsourcing that they want gainsharing and incentives and for suppliers to bring innovation, but they don’t get it,” Kane says. The culprit: the terms and conditions, service-level agreements, metrics, KPIs, and other prescriptive

elements of the typical statement of work. He likens this tactic to taking world-class runners, handcuffing their hands behind their backs and tying their shoes together, and then expecting them to run a marathon.

“To get really innovative solutions, you have to give suppliers flexibility,” says Kane. To find the most innovative solutions to business problems, he suggests starting not with an RFP (request for proposal/procurement), but with an RFS (request for solution). “Give potential partners the freedom to apply what they’re best at to solve your business needs in a way that you haven’t thought of, or didn’t have the capability to do yourself,” he explains.

### If It Were Easy, Everyone Would Be Doing It

In addition to some form of flexible contract, like so many areas of business, the success of innovative partnerships comes down to people. They require higher level managers on the buyer side than the typical

procurement person. Vendor oversight and project management has to be run by people with the right mindset and skills to nurture an important relationship.

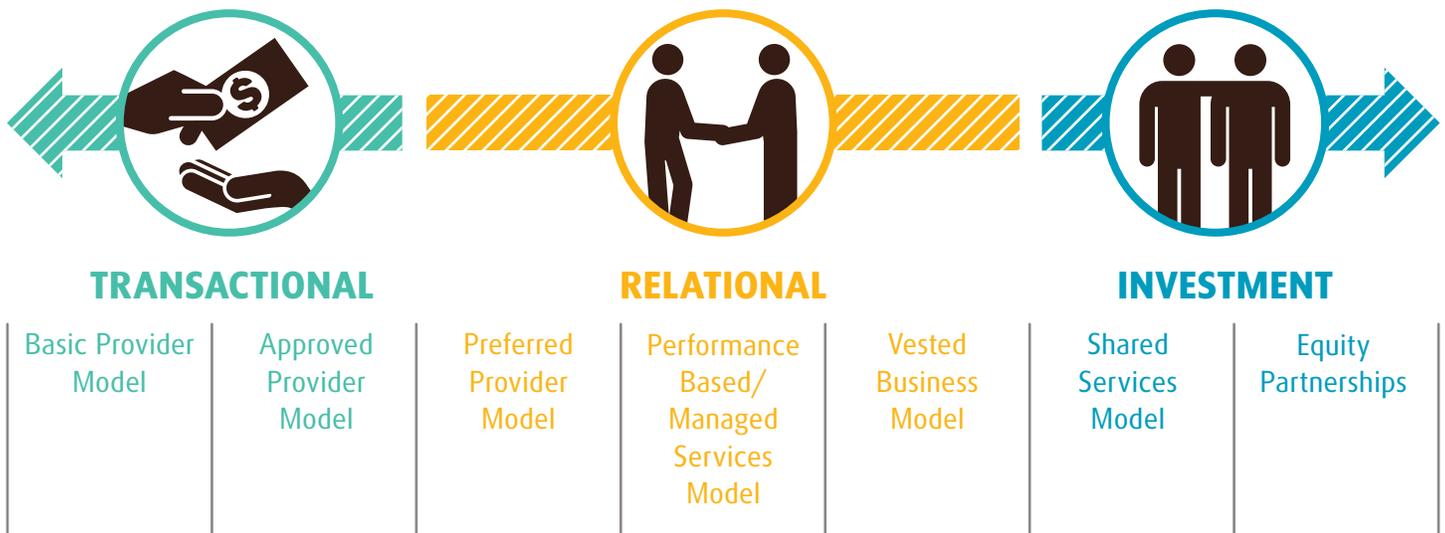
On the partner side, innovation is matter of having people engaged in the account who notice opportunities, and who will come up with solutions and proposals for the client to consider. This requires, according to Kane, a total cost orientation that allows a sufficient margin for the supplier to put their best people on the account.

“You must align the motivation and the supplier to keep the A team on the account,” advises Kane. “No matter how good a company is, there’s the A team and everybody else. If you don’t have the right partner, and the right people with the right partner, you’re not going to get the right outcome.”

1. 18th Annual Global CEO Survey, PwC, Jan. 2015.

2. “Demystifying the public private partnership paradigm,” KPMG, 2015.

## Sourcing Continuum



Source: “Your sourcing model can make or break the deal,” Kate Vitasek, University of Tennessee, IACCM Contracting Excellence, March 31, 2015.