



Creating and Managing Worldwide Partnerships

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Companies are developing an extraordinary variety of business arrangements called:

- ◆ Partnerships
- ◆ Alliances
- ◆ Multi-party Alliances – business webs
- ◆ Co-development, co-marketing, co-branding, co-everything arrangements
- ◆ Strategic investments (minority ownership in venture)

These are not traditional legal partnerships – they are contracts.

	Relationship	Characteristics	Pros	Cons	Examples
Tight ↑ ↓ Loose	Acquisition	<ul style="list-style-type: none"> Fully Integrated 	<ul style="list-style-type: none"> Own the customer Own the assets Own the products 	<ul style="list-style-type: none"> Expensive Limited Scope Difficult to merge 	PSINet/Metamor WorldCom/Digex
	Joint venture	<ul style="list-style-type: none"> Joint investment Exclusive arrangement 	<ul style="list-style-type: none"> Shared risk 	<ul style="list-style-type: none"> Difficult to sustain Limited Scope Exclusive Static 	Sun/AOL iPlanet Qwest/KPMG Cyber.Solutions SAP/Intel Pandescic
	Market-making partnership	<ul style="list-style-type: none"> Joint solution development Joint investment Joint go-to-market 	<ul style="list-style-type: none"> New solutions New markets Dynamic Flexible 	<ul style="list-style-type: none"> Management time and attention 	Genuity/GCE&Y Accenture/ Jamcracker
	Technology partnership	<ul style="list-style-type: none"> Joint product development Joint investment 	<ul style="list-style-type: none"> Customized platforms Operational efficiencies Speed to market 	<ul style="list-style-type: none"> Management time and attention 	Microsoft/Compaq/Digex Cisco/Usi EMC E-Infostructure Developers Program
	Channel Partnership	<ul style="list-style-type: none"> Cobranding, comarketing, coselling Complementary products/services 	<ul style="list-style-type: none"> New market opportunities Accelerated growth Brand affiliation Product/service differentiation 	<ul style="list-style-type: none"> Management time and attention 	AT&T Ecosystem for ASPs
	Reseller	<ul style="list-style-type: none"> Distribution of single product 	<ul style="list-style-type: none"> Added salespeople 	<ul style="list-style-type: none"> No value added Mixed results; 80/20 rule 	Digex ASP Link Exodus Alliance Partners
	Referral	<ul style="list-style-type: none"> Lead generation 	<ul style="list-style-type: none"> New prospects Control product, price and positioning 	<ul style="list-style-type: none"> No leverage No predictable results 	Jamcracker Explorers Akamai Alliance
	Commercial	<ul style="list-style-type: none"> Vendor/supplier 	<ul style="list-style-type: none"> Keep control 	<ul style="list-style-type: none"> No product/service leverage No new product or services 	IBM/Qwest

Source: Forrester Research

The agreement both structures the relationship and sets forth the rules to manage the ongoing relationship

- ◆ The agreement needs to be:
 - Clear
 - Workable
 - Functional
 - Valuable
 - Enforceable
 - Protective
 - Flexible
 - Fair
- ◆ It creates a framework to permit all alliance partners to participate in a successful and profitable alliance

Prior to developing the alliance agreement, what do you need to know and consider?

- ◆ Whether the alliance partners have common objectives
- ◆ Your company's culture – its ability to be a good partner
- ◆ Your alliance partner's culture – its ability to be a good partner
- ◆ A valid business case for the alliance
- ◆ All partners' commitment to the alliance

The nature of companies that are prepared or unprepared for alliances

Prepared

Creative

Innovative

Focused on core competencies

Solutions-oriented

Focused on non-linear goals

Ahead of their customers

Faster learning

Define failure as money foregone

Unprepared

Protective

Imitative

Focused on core business

Product-oriented

Focused on linear goals

Customer-led

Focused on maximizing hit rate

Define failure as money lost

Source: Yves Doz & Gary Hamel, Alliance Advantage, 1998

60% - 70% of alliances fail – Here are the 3 major causes of failure

- ◆ Strategy
The strategy is often at the top of the organization; it is implemented as a vision, not on a business case and often not with the spirit intended. The partners don't understand each other or the reasons for partnering
- ◆ Legal Contracts
Each company's lawyer is there to minimize risk for their clients – there is little win-win; good partnering contracts need to be formed from strategy
- ◆ Relationships
Companies don't know how to partner; it takes two to tango. One cannot be doing the fox trot.

Source: Digital 4Sight, 2001

How to meet the challenge of negotiating and writing an alliance agreement

- ◆ Determine what interests you are trying to serve with the contractual language
- ◆ Understand:
 - The purpose of the alliance
 - The business case
 - The specific roles of each partner
 - The objectives and measurements for success
- ◆ Draft a fair contract that meets the interests of all partners (win-win)

Key critical elements of alliance contracts

- ◆ Control and decision-making
- ◆ Knowledge and information – transfer, use, ownership, control
- ◆ Risk management
- ◆ Problem solving, conflict resolution and Remedies
- ◆ Term and termination

Control and decision-making

Which company, if any, will have ultimate control?

- ◆ Shared
- ◆ Segregate control to each partner's specialty
- ◆ Multilevel decision-making ground rules
- ◆ Strict or relaxed based upon past relationships, culture of both parties

Problem solving, Conflict resolution and Remedies

- ◆ Create a methodology for problem solving and conflict resolution as and when issues arise. By the time the traditional remedies are available, you likely already have an irreconcilable problem
- ◆ Traditional remedies
 - Right to Cure
 - Mediation
 - Arbitration
 - Choice of law
 - Jurisdiction and venue
 - Injunction relief
 - Damages

Risk management

- ◆ Warranties, extent
- ◆ Losses, liabilities for each partner's own breach
- ◆ Limitations of warranties and liabilities
- ◆ Indemnification

Term and Termination

- ◆ Specify term (generally alliances are easier to terminate than most other arrangements)
- ◆ Renewal
- ◆ Several alliance partners – result if one of several terminates
- ◆ Penalty for early withdrawal