

# PARTNER OR PERISH



How to prosper during tough times through strategic connections and shared visions. Compiled by Lynn Hinderaker

23 years of research into joint ventures, strategic alliances and partnerships. Easily skimmed case studies help readers choose the right 'innovation ecosystem.' Perfect for management, consultants and new-era business planners.

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## “YOU MAY BE A GENIUS, BUT YOU CAN'T MAKE IT ON YOUR OWN!” – Steve Ballmer, former CEO of Microsoft

*Background on strategic alliances, many of them unlikely or unthinkable in previous eras*

### Why should you form an alliance?

- Quick access to people, expertise or markets previously difficult to acquire.
- Build critical mass.
- Achieve combined purchasing power or operating efficiencies.
- Desire to move away from a certain brand image by blending it with some other brand image.
- Differentiate oneself (through association) in a pack of me-too brands.
- Add value to one's brand by bundling it with others.
- Increase sales while lowering marketing costs.

How to attract allies systematically:

### BOOK TO READ: Smart Alliances: A Practical Guide to Repeatable Success

Replacing the industrial revolution: the revolution of connection

*“Find where you add the most value, then form partnerships and alliances for everything else.”*  
(Geoffrey Moore, Crossing the Chasm)

*If you think of a company as a box, it should only have one side to the box. The rest of the box should be open.*

*“The future is about gigs and assets and art and an ever-shifting series of partnerships and projects. It will change the fabric of our society along the way. No one is demanding that we like the change, but the sooner we see it and set out to become an irreplaceable linchpin, the faster pandemic pain will fade.”*

*When everyone has a laptop and connection to the world, then everyone owns a factory. Instead of coming together physically, we have the ability to come together virtually, to earn attention, to connect labor and resources, to deliver value.” - Seth Godin*

Alliances are about making choices about the degree of centralization required to spur innovation.



By 1984, three years after the introduction of the PC, IBM replaced Apple as the number one supplier of microcomputers with a 26% market share. By 1985, its share had grown from 26% to 41%, due to its **creative use of outside relationships** with Intel, Microsoft, hundreds of third party software developers, manufacturers of hardware accessories, Computerland and Sears

(although they did have their own IBM Product Centers and a direct sales force for large corporate customers.)



DEGREES OF CENTRALIZATION:

**Least**

Virtual company

**Medium**

Alliance

Joint venture

**Great**

Corporation with autonomous divisions

Integrated corporation

**Strategic alliances begin by thinking about your world as an ecosystem...NURTURING MARKETS**

**How to usurp a strategic alliance:**

- Conflicting agendas
- Micromanagement
- Not enough autonomy and resources to act like a real business
- Partners have competing projects in-house
- People focusing on control issues
- Partners don't put their best people on the alliance project
- Decisions slow to come by
- Inconsistent feedback, no consensus
- **People won't work for the good of the entire team.**

For example:

IBM and Motorola form an alliance to share technology and undertake joint development to license the PowerPC

technology to other manufacturers beyond desktop applications. Nearly a year later, it's acknowledged that it didn't work.



Key tenet: Alliances are not about money. Everybody has money. You have to answer these questions:

- How do you add value to each other?
- How do you play fair?
- How do you interface with many different people?

SPURRING INNOVATION WITH horizontal or vertical companies? This is the key question in forming strategic alliances

When are virtual alliances a good idea or bad idea?

- In situations where technology is changing rapidly, large companies that attempt to do everything inside will flounder when competing against small companies with highly trained and motivated employees.

When should you form an alliance – decentralize - to innovate and expand your product line or when should you keep it inside through centralization?

- In most cases, the open exchange of information that fuels systemic innovation will be easier and safer within a company than across company boundaries.

What's good about alliances?

- Incentives, responsiveness, speed-to-market.
- Fast development of technology from a wide variety of sources

What's bad about alliances?

- No established way to settle conflict and coordinate all the activities necessary for innovation.
- Each company wants the other to do more, while each is also looking for ways to realize the most gain from the innovation.
- Information sharing can be reduced or biased, as each seeks to get the most at the other's expense.
- The open approach required to get along with each other can prevent partners from creating proprietary technical standards; instead, technical partnerships sometimes create a generic category that enable all competitors to 'enter the arena.'

When innovation is **autonomous** – and can be pursued independent of the rest of the operation - it's wise to outsource, forming a partnership/alliance.



When innovation is **systemic** – requiring sharing of information, control and tight coordination – it's better to avoid alliances and outsourcing.

1/5/2020

HARLOTTE, N.C. – (June 20, 2017) – The Business Journals, the nation's largest publisher of local business news, and Esri, the leader in GIS mapping software, spatial analytics and location technology, have partnered to launch Crane Watch in 40 markets across the United States.

12/11/2012

Hortonworks, a leading provider of the increasingly important open source database software called Hadoop, has signed strategic partnership deal with Teradata, an established, and large, data analysis company with strong ties to traditional corporations. Teradata and its customers will *work on new ways to use Hadoop*, including developing new algorithms to mine data. The arrangement will give Hortonworks more credibility and open a broader customer base to which it can offer its services.

"We want to support the market for Hadoop," Scott Gnau, president of Teradata's labs division, said. "There is a flurry of interest in Big Data, and it's all about bringing in new data types and analytics."

2/28/2011

*("We are living in a uniquely promotional time in history..." - Kathryn Koegel, Primary Impact, 5/9/11)*

Vlassis Red Plum and NewsAmerica Smart source (which together comprise 86% of traditional couponing) have joined forces to **share content** – that is, the coupons they offer through each of their sites – significantly increasing the coupons they offer through each of their individual sites.

Vlassis made a similar deal to extend the reach of its site by connecting with AOL's Shortcuts digital couponing program. That deal distributed coupons from 7500 grocery stores and gave 127 million shoppers access to coupons that wouldn't have had access to them otherwise.

July, 2009: Microsoft and Yahoo join forces to fight Google in the search engine business.

August 10, 2003

Between early 2001 and early 2002, Amazon has forged marketing partnerships with Borders, Circuit City, NBC and Target, making Amazon's name inescapable on the Web as well as having a presence in the analog world. For a retailer that can't expand by building stores, partnerships provide a way to increase sales while lowering marketing costs. Amazon's sales increased 11% in the first nine months of 2001 while marketing expenses fell \$21 million, down to \$104 million.

11/16/02

Rivals (!) Proctor and Gamble and Clorox will establish a joint venture in food and trash bags, containers and food wraps under the Glad, GladWare and related trademarks. Proctor and Gamble will own 10% of the joint venture and would have an option to increase its ownership by another 10%. Clorox would own the rest and own the assets of the business. The relationship is subject to regulatory approval.



11/11/02

NEW CHANNEL TO EXPLOIT MASSIVE PENETRATION: Walt Disney Co.'s ABC Television Network is partnering with McDonald's to launch its ABC Happy Hour programming block. (It is separate from McDonald's corporate alliance with Disney.) The deal involves four on-air promotions hyping a sweepstakes trivia contest printed on McDonald's tray liners; it does not bring any new ad dollars to ABC. However, airtime is valued at \$30 million. The promo is intended to offset a 20% decrease in ratings among its core audience of 18-49 year olds and find new outlets to get its new show message across.

10/19/02

Dow Chemical and Cargill jointly produced a new form of plastic derived from plant starches, a breakthrough product that neither company could have produced on its own.



Some strategic alliances are breaking up because the tough times are forcing the participants to go after each other's customers or invade each other's channels. Sometimes they are forced to go around their partners to get at another valuable piece of the market. Sometimes the relationships become restrictive.

12/15/00

Ford and Toyota are discussing a cost-cutting partnership!

11/29/00

Registrars.com will promote Big Pictures' off-the-shelf and web-based Internet and Intranet software solutions for small businesses on its web site. In turn, Big Picture will promote Registrars.com's domain registration services on their web site and in their award winning e-commerce software products. Michael Anthony, Big Picture president and CEO, explained: "Since small businesses usually acquire domain names prior to starting their web businesses, our new agreement will place Big Picture products and services at the critical point between e-business conception and e-business creation. For both Registrars.com's and Big Picture's small business customers, it couldn't be easier for small businesses to become e-businesses."



10/6/00

Regional carrier Bell South and SBC (San Antonio) join up to launch the number 2 wireless service, called Cingular Wireless; has 19 million customers and 42 markets served.

Time Warner and EMI try to rebuild a joint venture that had been abandoned. Provides the opportunity to generate considerable cost savings. They're looking for synergy.

9/30/00

**Sharing technology for faster product innovation:** Motorola and Palm will team up to combine functions of phones and organizers, letting users access Internet data over new high speed wireless networks currently under construction. Enables users to download video and other

large files from the Internet. Declined to say how sales will be shared. Follows a Motorola investment in Palm. Will use the GSM digital wireless standard dominant in Europe.

AOL and NTT DoCoMo team up to push AOL's service in Japan. Has not been doing well.

9/28/00

When a company's been in the retail business for more than a century, attempting to find the perfect cyber-niche may lead it down a path toward innovation or obsolescence. Sears has arrived at such a crossroads and is taking its first steps to compete with e-tail rivals such as Amazon.com.

In addition to selling its popular tools and appliances online, Sears has formed a strong marketing alliance with America Online. The companies will promote each other's products and services online. Sears will also work with AOL to market and sell high-speed broadband services and to develop Internet-enabled home appliances. Meanwhile, earlier this year, Sears joined forces with Carrefour and Oracle Corporation to establish a global online supply marketplace for businesses.



9/18/00

Retail synergy? Avon forms distribution, merchandising alliance with Sears and Penny's (not Target, despite a younger, trendier customer): **in-store cosmetic counters** will

carry Avon Gold, a premium priced alternative. Both have the same dowdy image problem. Avon wins because the typical shopper at Sears is slightly younger and spends more than the typical Avon customer. Both Sears and Penny's would fit the objective of making Avon a more contemporary brand and of reaching more women. Avon has brand leverage: it didn't need to promise exclusivity to Sears to gain shelf space, as many analysts thought it would. The Avon centers will be a fusion of the mini-salon and the typical department store cosmetics counter. Designed to encourage lingering and relationship building.

8/15/00

Texaco entered into a two year, \$20 million agreement with Red Sky Interactive, a New York Internet service provider. The alliance is intended to cut costs, raise productivity, create sources of revenue and expand its brand online.

8/11/00

Amazon and Toys R Us are joining forces, TRU will provide toys for Amazon to sell on its site, enabling TRU to keep most of the profit, though Amazon will get a single digit percentage of sales. Arrangement exploits complementary strengths. Could portend more relationships between online retailers and brick and mortar retailers.

Handspring and Qualcomm announce a licensing agreement that would pave the way for wireless web surfing devices.

8/4/00

In an example of how Internet companies and the entertainment industry may collaborate, a short, animated series on the Icebox.com website will become a half hour live action show on Showtime cable. Icebox.com will become executive producer of the show and will receive a portion of the revenue generated by the program.

5/24/00 Union Pacific forms virtual merger online with Canadian Pacific, CSX and Norfolk Southern to offer **one stop service** across North America, creating a seamless network of four railroads to compete with Burlington Northern Santa Fe's merger with Canadian National Railway.

Six of the biggest meat packers will form an online alliance or trading portal, which will resemble the biggest Internet exchange in history (formed by automakers) to allow trading of a supplies; these meat competitors will work together and share information about prices, supply and demand, replacing the traditional system, where buyers and sellers spend their day on the phone haggling over prices.  
COOPERTITION.

Coke partners with AOL online, matching the marketing deal made earlier between Pepsi and Yahoo. Both arrangements are focused on 'fun, entertainment and capturing passions.' Coke will push through its ads, merchandising, packaging and in-store promotions, while AOL will feature Coke brands on its online services. Coming: a movie or CD in summer, 00.

Hyperion business analysis software and Engage, a CMGI company, form alliance in Feb. 00

**Polo** Ralph Lauren pairs up with NBC and Value Vision International to create original content for a web site. "This association will help us upgrade our brand image substantially," Stuart Goldfarb, Value Vision International (Strategy: Desire to move away from a certain brand image by blending it with some other brand image.)



**The Washington Post is pairing with MSNBC**, the cable channel, to share editorial, technology and promotional resources. The hope is to attract advertisers to audiences targeted on the portal's specialized sub-sites.



**Amazon links up with Living.Com** to allow it to sell furniture. Living.com agrees to pay sizable amounts over the next few years to become featured merchants on Amazon's web site

\* Wal-Mart has announced plans for a joint online venture with Accel Partners, an Internet venture-capital firm that counts Microsoft and Compaq among its backers, according to Reuters. The world's largest retailer is seeking access to Silicon Valley smarts and talent, the better to compete against Amazon.com.

**CommerceOne will team with Shell** to create a business-to-business portal for online parts purchasing featuring auctions and other linkage services. Will take 90 days to launch.

**ULTRA-Targeting: General Motors is creating a flurry of alliances:** in January, 2000, they hook up with NetZero to get better Web leads through the use of **highly tailored marketing and incentives**. GM will tap into NetZero's knowledge of its subscribers to target incentives to them. Consumers are required to give a significant amount of personal data about themselves in return for free web access.

**Media share content:** Washington Post and NBC News will share content among their media properties and create a joint Newsweek-MSNBC web site. Will do cross-promotion for both companies' news outlets.

**Create alliances, take a cut:** Web-based info-mediaries form alliances of consumers, then go find products or manufacturers that meet the consumer cluster's needs...after that, info-mediaries negotiate discounts.

"We will have customers logged with us who are, say, boat builders. We can deliver that group to suppliers who want to contact those people. The potential - if you get this right - is to take a portion of the transaction that takes place as a result of your bringing together these groups." - spokesman for BT Yellow Pages, discussing how *to link niche groups of customers with suppliers via the Internet*.

**Grow or die!** Consumers pulling away from expensive designer labels: Calvin Klein is looking for a strategic marketing partner to help revitalize its \$1 billion business, tied mostly to department stores.

Internet auctioneer E-bay and AOL are launching a **co-branded Web site** that will provide AOL's 18 million members access to the auctioneers site presented in an AOL format.



Nestle and Haagen-Dazs are bringing together their ice cream operations in a 50-50 joint venture.

**Bundling to create Power of One:** Coca-Cola teams up with divisions of Kraft to push soft drinks with DiGiorno frozen pizza, Oscar Meyer meats.....will compete with PepsiCo's Frito Lay co promotions. Helps gain better display space and enhance retailers' sales.

Coke also teamed up with Nabisco in a similar concept.

**A whole new industry through empowering the consumer:** Broadcasters are forming alliances with makers of digital video (DVR) recorders like Replay Networks and TiVo, who make \$500 set top boxes that enables viewers to pick shows and skip over commercials. Personalized ads could be stored in the hard drive of the set top boxes. Companies will sell 'real estate' on the hard drive to advertisers!

SNAP and RealNetworks are working together to enable Web surfers to search the Internet for audio, video and multimedia programming. The point is to help users of RealPlayerG2 software find multimedia programming and give users of the SNAP portal that have a broadband connection a rich multimedia experience.

Xerox will compete more effectively with Hewlett-Packard by teaming with Microsoft, which gains new distribution of its software products in a new class of machines. Xerox will build digital copiers around the Windows NT technology, replacing the UNIX operating system.

Radio station owners are forging alliances with Web Internet service providers. SPs get plugs on the air; surfers get the station's signal on-line. Other partnerships exist between radio stations and search engines, e-mail services and custom CD retailers.

CBS buys half of StoreRunner, an online shopping mall. This alliance enables sales teams of CBS radio and TV stations to put their broadcast advertisers online as well, adding value.

IBM will incorporate technology from RealNetworks (known for its streaming media application) to challenge MP3, which makes it easy to copy and distribute compact disc-quality music over the Internet without paying royalties. Another player: Microsoft's MS Audio.

E-Commerce is given a push through an alliance between America Online and Sun Microsystems; they will develop software together that will help companies sell products on the Internet more easily.



EBay and AOL team up: EBay pays AOL \$75 million over four years in return for a prominent presence on AOL's various sites, gaining better access to AOL's 16 million members. AOL ties in more closely with one of the most heavily visited sites for electronic commerce. AOL may also start selling ads to appear on E-Bay's site.

AT&T, Lucent and Motorola will cooperate on a project that will allow users to access the Internet by voice - VXML - will also include 13 other players, including Nortel.

Statistical Research will team up with Anderson Consulting to take on Neilson in counting TV audiences.

LEVERAGE: Time, Inc. and Simon Property Group are teaming up to publish a widely circulated magazine targeted to shoppers in Simon's Malls. The free mag, entitled S, will be distributed at more than 240 malls. It will re-use articles previously published in InStyle, Sports Illustrated and Money as well as photos never previously used. Simon will sell the ads and keep all revenue, paying Time for editing and production costs of S on a per unit basis.

USA Networks and Lycos join up to create the Web's biggest center for electronic commerce, focused on electronic retailing and ad sales.

Microsoft teams up with British Telecommunications to develop wireless Internet and corporate data service for mobile phone users. However, **everyone in the wireless industry is going in different directions.**

Motorola and Cisco will also work together to create a wireless system based on Internet Protocol that would enable users to send or forward voice mail to anyone in the world.

Nextel and Netscape will collaborate to enable users to get e-mail on Nextel's tiny phone-screens.

Enron, one of the largest US energy utility companies, has teamed with RealNetworks to deliver high quality video to Internet providers over Enron's fiber optic network.

AT&T will join with Time Warner to upgrade Time Warner's cable systems in return for a chance to provide local phone service and high speed Internet access. AT&T will pay TM for each home passed and each home that signs up, but AT&T will get most of the revenue because of the monthly bills.

Alliance between Microsoft and Quest: Fourth largest carrier moves into business services

promoting e-commerce. Customers will pay for use of specialized software on a pay per use basis using Windows 2000. Microsoft will invest \$200 million because it provides Microsoft with recurring revenues for its software and eliminate the hassles of repeatedly selling upgrades. The alliance will generate business for Quest's vast new network with huge capacity.



Cross promo partners: PepsiOne includes small booklets of new releases from publishers like HarperCollins, Penguin Putnam and Doubleday/Random House.

MidAmerican Energy's MidAmerican's Realty Services of Des Moines has formed an association with Mel Foster Company, a real estate brokerage in the Quad Cities of Iowa to work together to market home-related services.

Eastman Kodak and Intel join forces to produce Picture CD, enabling consumers to view, print and e-mail traditional photographs from personal computers. Analysts predict 10% of all rolls developed will be put on compact disk.

The producers of Nickelodeon and Sesame St are teaming up to make learning fun again on TV.

Barry Diller's Home Shopping Network is teaming up with the USA Network to form a national hybrid cable and broadcasting network that will be able to offer advertisers an audience as large as the Big Three broadcast TV networks.



Internet partnerships enable high tech niche companies to team with big players in content development or transmission. EG: GE's NBC paid \$26 million to own a small stake in CNET, a content company with a division, SNAP!, that is a directory service.

Disney has paired with Infoseek, a 'portal.' They'll buy in to the company cheap, then use marketing clout to make it big. It goes for Lycos and USA.

**To get into the \$100 billion local phone business, AT&T and TCI** must figure out a way to blend their different styles. Chairman Michael Armstrong encourages open disagreement, less conformity within AT&T culture. TCI's Leo Hindery also is a driven executive. Hindery finally leaves in October, 99, due to a clash over control and style of company.

- TCI's customer service centers are mismanaged.

- AT&T seems 'preoccupied' with performance data, benchmarks and protocol.
- TCI has bad relations with municipalities.
- AT&T could learn brevity in meetings from TCI.
- TCI could learn about quality control and professionalism from AT&T.
- AT&T wants to structure consumer unit with layers of managers within divisions. TCI is more entrepreneurial, pushing authority into the field
- AT&T reviews everything quantitatively, in detail. TCI feels like they act like outside auditors.
- The cable business is driven by personal relationships. Telecommunications is not such an old boys club.
- AT&T execs practice and critique their presentations. TCI's Hindery shoots from the hip.

Telecommunications Company Qwest Communications is forming a strategic alliance with Cisco Systems to develop high-speed voice-data and video transmission services that can be offered to large corporations, as well as high speed Internet access.

Qwest also has developed a marketing agreement with several of the Baby Bells so they can sell long distance services in their local market.

NIelsen MEDIA RESEARCH AND LUCENT TECHNOLOGIES HAVE A "PROFESSIONAL SERVICES AGREEMENT" TO HELP both stay abreast of the CHANGING DIGITAL TV ENVIRONMENT.

Kansas City's own Utilicorps United, Inc. (owner of People's Natural Gas) is aligning with AT&T to market natural gas, electric, telephone, Internet and home-security services in a single package. It's also aligning with four other power utilities to create a business-to-business web-based trading exchange for commercial energy buyers and sellers.

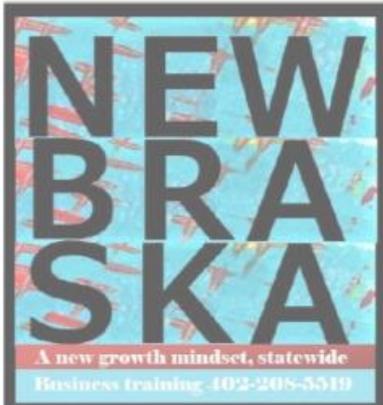
CNN AND TIME MAGAZINE COLLABORATE ON IMPACT, A CNN NEWSMAGAZINE ON SUNDAY EVENINGS.

TELEMUNDO HAS PRIVATE DISCUSSIONS WITH **STRATEGIC PROGRAMMING PARTNERS** FOR PURPOSES OF EXPANDING ITS PROGRAMMING OPTIONS AND ENHANCING SHAREHOLDER VALUE.

**Macintosh and Microsoft get together!** Microsoft invests \$150 million in former enemy now headed by Steve Jobs and insures its survival. Jobs say, "We have to let go of the notion that for Apple to win, Microsoft needs to lose." WIN-WIN. Next up: new ad campaign tries to make sense of it all ("Think Different"), created by Lee Clow, TBWA Chiat/Day's creative director in LA.

Dow Jones and Hearst have paired up to produce SmartMoney Magazine on-line, which will be linked to the Wall St. Journal's interactive edition. Omaha's own Data Transmission Network has

formed an alliance with Window on Wallstreet in Richardson, Texas, to offer a new software package called the Window on Wallstreet DayTrader information package.



A statewide, business-driven movement to help established, successful companies leap into a much-needed reinvention that attracts high-skill talent.

**Respect the past, invent the future.**

Newbraska: The time for bold action has arrived.



***Partner or Perish!*** is a popular business workshop that is facilitated in an engaging fashion by NEWbraska Network consultant and business talk show host, Lynn Hinderaker. Call 402-208-5519 for details.

***Rationale:***

Business owners are struggling to regain sales momentum, attract talented workers and deal with healthcare costs. However, after the recession of 2008, most of them realize that it's critical to broaden market penetration while driving down the costs of sales and customer development. Innovation is also important in order to differentiate any company from the dozens of competitors on the Internet.

Partnerships and alliances can provide the new energy and broader scale that so many Nebraska business leaders say they need as the pandemic begins to subside. This document will introduce you to an innovation ecosystem known as "NEWbraska Network." Members of the network are committed to helping each other succeed through informal and formal means, even involving financial collaboration, product development partnerships and joint ventures.