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THINKING · PARTNERSHIPS

My Top 4 Pieces of Advice for Building Impactful Partnerships

"Plan the divorce before the marriage." Four rules — and the FILO discipline — behind partnerships that create value.

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Over the years I have been asked for advice on what a person should consider if they want to excel at building impactful partnerships. I get this question most from entrepreneurs and people interested in a career in partnerships and business development.

For me, a great partnership is about finding the intersection of wants between two or more entities to create value for the supply chain of stakeholders.

I would argue that everybody is in the partnership business. Whether you are an entrepreneur, a sales rep, work in customer service or formally have the title of partnerships — if you are dealing with internal or external stakeholders then you are in the partnership business.

After 20 years in the partnership business (running my own start-up, running a national agency and leading commercial and M&A partnerships for Yellow Pages), my first piece of advice is that partnerships are like icebergs. What people see on the surface are the press releases, the conferences or what I call the external "fun stuff". What most people don't realize about successful partnerships is that there is a lot of work done on the back-end. Partnerships can be extremely rewarding, but you have to realize that some partnerships can take weeks, months or even years to build.

(You can read my partnership stats during my career with Yellow Pages Canada here.)

What I am sharing below are some things that have made me successful in my career. They are in no particular order of importance because they all play a role when I am thinking about forming a partnership. In some cases, such as a minor commercial agreement, these will be quickly thought through, whereas in other cases some of these may take days, weeks or even months to work through.

If you have comments on what works for you or questions, please add them or ask in the comments. My intention for this article is to stimulate thought.

Plan the Divorce before the Marriage

This one usually gets people's attention when I mention it. However, it is critical to understand and map out the exits and the implications of those exits. This is an important exercise because it helps in some aspects of how to structure the deal, what legal terms become critical and eventually the execution.

It is naïve to think that all partnerships are perpetual. Eventually they all come to an end.

FILO (finance, IT, legal and operations)

I believe it is my responsibility to understand these functions in as much depth as possible, both internally and externally. Although some people consider these to be very operational functions, I have always considered them strategic. If you deeply understand what they do, why they do it and how they do it, you can extract the most value for stakeholders.

If you are an entrepreneur or work in a small firm you are probably closer to all these functions. If you are in a large organization, don't let the silo nature of these organizations prevent you from deeply understanding them.

Also, it is important to remember that not all partnerships are about generating revenue. Because of my deep understanding of these functions, I have been called many times over the years to assist in finding the right partnerships to streamline operational functions and to assist in the transformation of these functions.

Finance. Learn to read financial statements as well as financial modelling, and more importantly understand the implications for your company and your partner's business. When dealing with public companies, read the MD&A (management discussion and analysis). The information you can extract from these documents can give you incredible insights about your company, your partners, your competitors and the industry. Even if you are dealing with private companies, read their public counterparts to get a good sense of drivers within the business. Understanding the entire financial impact across the entire base of stakeholders is critical when building partnerships.

IT. Of all groups, this one usually evokes a lot of passion — everybody has an opinion on IT. I have dealt with traditional IT groups and very agile IT groups. It is important to understand systems and the limitations of systems. A solid understanding of systems will ultimately determine whether or not the execution of a deal will succeed. This can also be extremely beneficial in pre- and post-partner discussions, as there may be insights and knowledge that could help you overcome some internal challenges.

Legal. The best compliment I have received from lawyers is, "you should have been a lawyer, you really get this stuff". Legal documents may not be the most exciting things you can read, but if you own the partnerships, you own the legal language. The primary function of your legal counsel is to outline risk and liability and protect the organization. However, I tend to view legal as strategic business partners who are helping create the balance between risk and reward.

Operations. Operations can differ across organizations, but ultimately this is the group that fulfills on the product or service to the end customers. A deep understanding of how this group operates, their limitations, their IT systems, etc. can help guide partnership discussions.

My best advice: be the best generalist when it comes to your business. This will arm you with the questions and knowledge to understand your partner's business and your competitor's business, which in turn will help you create the best possible deal outcome.

Spend time on the Front Line

Nothing beats actually selling your end-product to your customers. My advice here is simple. Get out in the real world, meet with customers, meet with vendors and meet with your vendors' customers. Have copious amounts of focused conversations to understand why buyers do what they do. Market research is great and provides some good insights, but nothing will ever beat having real conversations and being out in the field.

If you work for an organization that has a sales team, go on sales rides. Be with them when they talk to customers. If you work for an organization that sells online, listen to the phone conversations or read the email strings with customers. If your company has a call centre, work there at least 1 day a year.

All of this experience will make any deal that you are going to do in the future better — period.

Keep Communications Short and Master the Art of the Pre-sell

So much has been written on effective communication so I won't attempt to write any more on the how-to of communication, but I will make three points.

- When speaking or presenting information, understand your audience and tailor all communication to those stakeholders. Learn the art of "less is more".
- Always lead with the conclusion and not the process to get there. The work behind the conclusion is equally important, but too often too much time is spent on the "how we got there" as opposed to the "why we are doing it".
- Pre-sell at every stage of a deal. This is probably truer in larger organizations. However, bringing all stakeholders along the decision path in real-time will allow you to adjust in real-time and prevent any unexpected surprises.

Although I could write more about the specifics of partnerships, I believe the above 4 points cover the vast majority of what made me successful in my career to date. I hope you find these valuable in your partnership pursuit — and please add your comments and suggestions so that prospective readers can benefit.

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