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Article

Partner Agreements Set the Stage for Fast Channel Success

By

Bill Davidson
AllianceAnalytics

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Partner Agreements Set the Stage for Fast Channel Success

Companies spend a great deal of time evaluating and selecting channel and alliance partners. They know that they must select partners that have similar goals and objectives, geographic coverage, the ability to add value, sales resources and skills, and numerous other criteria in order to generate their expected sales revenues. Following the selection of the new partner, the partner agreement is signed. Partner agreements are generally viewed as a needed formality to start off the relationship.

Many of us have developed partner agreements that only state the terms and conditions of the channel or alliance relationship that the two parties are entering. The purpose of the partner agreement is to not only set the terms and conditions for the partnership, but also, set the stage for the rest of the partnership. It is important that the agreement cover more than just terms and conditions.

In reviewing many partner agreements, I have found that they most often heavily favor the protection of the vendor's assets and that they cover primarily the terms and conditions. The tone of the agreement reads as if it is setting limitations of what the vendor will allow the partner to do and how that partner is expected to act during the course of the partnership. A partnership is defined as **a**: a legal relation existing between two or more persons contractually associated as joint principals in a business **b**: the persons joined together in a partnership **c**: a relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities.¹

The partner agreement sets the stage for the partnership. Companies that are dependent on these partnerships for the generation of revenues should view the partnership as a relationship that involves close cooperation. Not that this view isn't used today, but as part of creating partner value, there are additions that can be made to a company's partner agreement that will substantially increase the partnership's probability of success.

Creating ongoing partner value will increase the partnership's ability to meet its expectations. Setting the stage and the expectations for the partnership is just as important as managing it. Most companies spend large amounts of capital in support and development of their channel and alliance programs.

To make the managers of these programs accountable, they need to be able to effectively measure the results. In order to have measurable results, the expectations must be agreed to. Managing the partnership should also include managing to the provisions of the partnership agreement. If expectations are set for the course of the partnership, they should be managed to assist in insuring the partnership's success.

¹ 2003 –Merriam-Webster Dictionary

When a true partnership exists, it should be transparent to the Customer whether he is working with a direct sales organization or one of that organization's partners.

In addition to the terms and conditions of the partner agreement, effort should be placed to define and agree upon the subjects of cooperation that are important in creating a successful partnership. These subjects when added to the partner agreement set the tone for success.

What are some of the additional criteria?

Rules of engagement are a criterion that is important to add to the partner agreement. Channel conflicts do not need to occur as often as they do. Defining the rules and contractually agreeing to the rules will substantially decrease the occurrence of channel conflicts.

Defining the roles, responsibilities and processes that govern the partnership and others that assist in generating revenue will improve channel and alliance results. Often, partners don't know who to call within its partner's organization. When business opportunities that will generate revenue occur, response times between partners are often critical to winning the business. If response times can be decreased, business opportunities that may have been marginal may be secured.

Why write these and other criterion into the partner agreement? It is understood that contractual obligations, carry more weight than those that are not specifically agreed upon. A continued tone for cooperation between the partners is set.

In order to maximize the results of a partnership, the partner agreement needs to be more than just the terms and conditions. It needs to establish a spirit of cooperation between the partners and set the stage for success. Its criterion is measurable. As the criterion is measured and modified over the course of the partnership, partner value is created and ongoing results will improve. The difference between having the criterion included in the partner agreement and not having it included may be the difference between meeting and not meeting the expectations of the partnership.

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