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INSIGHTS AND INFORMATION FOR TODAY'S BUSINESS LEADERS

August 2007

PARTNERSHIPS: Managing the Process

BY CY CHARNEY

Before signing a deal to work together, it is critical to get to know your prospective partner. Although the chemistry between the leaders on both sides is important, day-to-day relationships will be handled by middle managers. So it is important to have insights into the organization before an agreement is reached and signed.

Here are some issues to review:

- What is the goal of the proposed partnership? How will we know if we have been successful?
- What are the other organization's goals? Will we be able to meet those expectations?
- How will we manage the relationship?
- Do we have similar business philosophies?
- How will we manage new challenges? When differences and conflicts occur, how will we settle them?

The benefit of such analysis is the following: getting a firm understanding about each other's level of commitment to working together.

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Strategic Alliances: A Growth Model for Companies

BY NORMA WATENPAUGH

Changes in the world economic climate have fundamentally altered not only the way products are created but also the way businesses form and thrive. There are fundamentally three strategic pillars to corporate growth: build, buy, or partner.

In the build model, companies grow and invent organically through their own resources. In the buy model, they acquire new products and revenue streams by swallowing whole other companies through mergers and acquisitions. But now, more than ever, growth for both large and small companies is fostered and nurtured through partnerships—by strategic alliances.

According to a recent study conducted by the United Nations University MERIT, 75% of companies surveyed believe alliances are of very high importance for the realization of their company's strategy. Furthermore, most companies expect the contribution of alliances to the value of the company to increase from an average of 19% today to 47% in five years' time.

What Are "Strategic Alliances"?

Companies form strategic alliances to complement their own competencies and capabilities. These collaborative relationships share assets and resources and risks and rewards to create greater value for their customers and for their own organizations—greater value than could be accomplished independently.

Despite this simplistic definition, alliances take multiple forms from highly formalized joint ventures to loose collaborations. Alliances span the value chain from research and discovery to sales and service. In some cases, multiple alliances form value networks that create the competitive footprint for a company in its market. For instance, Star Alliance is a collaboration of 17 airlines that share common services to manage costs, to capture more market share, and to provide a more pleasant customer travel experience.

How Companies Benefit

There are many reasons to partner and the payoffs can be dramatic not only for the partners but for their customers. Some of the top reasons for partnering are:

- Create greater value for customers
- Leverage new sources of innovation
- Enter new markets or lines of business
- Establish new revenue streams
- Reduce costs or harness economies of scale
- Share risks and rewards in new ventures
- Expand geographically and internationally.

Building a Successful Corporate Alliance

The dramatically high failure rate—estimated at 50 to 75%—suggests that

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companies often lack the knowledge and skills to determine strategic fit, negotiate win-win agreements, align organizational cultures, and—perhaps most important of all—get people to work together productively. Success is not an accident. There are proven best practices and tools that companies that have consistently successful alliances employ. The ASAP/UNU-MERIT study also indicated that implementing even a few tools can have a significant positive impact on alliance success.

In Search of Alliance Excellence

As strategic alliances become core to many organizations' strategy for growth and innovation, the capability to manage alliances to achieve results becomes a core competency. We are beginning to see examples where major corporations are betting the farm on their alliance strategy as a major source of new products and to drive sustainable growth. Examples of such companies are among those recognized for Alliance Excellence in 2007, an award presented by the Association of Strategic Alliance Professionals to organizations that are at the top of the profession in alliance management. We evaluate alliance programs for the following characteristics:

- **They are exemplary**—The alliance management program is tightly linked to the company's strategy, and is well integrated with regular business processes.
- **They are innovative**—The company has advanced the state of the art of alliance management. It has been creative in its approach, and contributed to learning.
- **They are high-impact**—The approach to partnering has made a transformational change in the way the company does business and may even extend to how its industry does business.

To build a successful strategic alliance and grow your business, read about and register for AMA's seminars "Essentials of Strategic Alliances and Partnerships," "Launching and Managing Strategic Alliances and Partnerships" and "Measuring the ROI of Strategic Alliances and Partnerships" at www.amanet.org/seminars. Also, for more information on strategic alliances, visit the website of the Association of Strategic Alliance Professionals (ASAP): http://www.strategic-alliances.org

Missing a Huge Leadership Opportunity: High-Performance Pay

BY PATRICIA K. ZINGHEIM AND JAY R. SCHUSTER

Pay for performance works. The data is in—companies that really pay for performance outperform those that don't. The top-performing 20% of the talent pool say that to engage them, pay more for excellent performance than for less-than-excellent results.

Nearly every company claims to pay for performance, yet studies show that most do not. Everyone knows paying for performance makes sense but the knowing-doing gap is significant. In fact, research suggests that the very best investment a business can make in its workforce is an incentive plan that extends below managers. Well-designed incentive plans return approximately four times what they cost in incentive payments—even ones of average quality return two times the cost. No other human resource program has a higher ROI.

Become a "Best High-Performance Place to Work"

With all the focus on becoming a "best place to work" or "employer of preference," companies are still missing the initiative that makes more sense now than ever—really paying for performance and making it attractive for top talent to join and stay at the organization. What's the problem? It is easier not to pay for performance because doing so requires real leadership. But with healthcare and other human resource costs eroding salary budgets, this is the time to really make paying for performance work. It should be the primary HR initiative for 2007 and 2008.

How do we really pay for performance? Follow these guidelines:

- Identify approximately the top-performing 20% of your workforce in terms of competency and skill and translate these into measurable business results.
- Rank employees in terms of performance results to determine if the top performers are also the top-paid people at an organizational level. If not, plan how pay will become better aligned with performance in the future.
- Set aside a portion of any annual pay adjustment budget just for the top-performing 20% of the workforce in terms of results. Make excellence clearly worthwhile.
- Implement a simple incentive/variable pay plan for everyone in the company—top to bottom—with no more than three to four business goals. Make this new plan the lead element in making it worthwhile for the best to join and stay at your organization.
- Choose goals for variable pay and base pay adjustments from what the company needs to accomplish to be successful. Engage people in becoming partners in making the organization a winner because only companies that are financially successful can afford great talent.

The Business Case for High-Performance Pay

In our book, *High-Performance Pay: Fast Forward to Business Success,* we suggest why wise leaders would champion paying for results. Here are some of the reasons:

1. The best people want to be paid for performance; the poor performers don't. Need we say more.

2. People who are paid for performance are more likely to achieve assigned goals.

3. Limited pay dollars need to be focused on critical talent—those who generate results consistently over time—to retain them.

Patricia K. Zingheim and Jay R. Schuster are authors of *High-Performance Pay: Fast Forward to Business Success* and are partners of Schuster-Zingheim and Associates.

Lead from the Middle

BY DAN COUGHLIN

Your boss wants three projects done immediately, your peers are focused on hitting their department's planned goals, your employees want raises and promotions, and your customers are demanding faster, better, and cheaper. So what are you as a mid-level manager supposed to do?

Lead.

Leadership means influencing how other people think in ways that generate better, sustainable results both for your organization and the people in it. Notice: leadership equals ability to influence, not your title.

Three Keys to Influencing Others

1. Create a leadership framework. You only need three things to lead. You need to know your organization's three most important desired outcomes, the three most important outcomes the person you're trying to influence wants to improve, and ways to influence how the person thinks. Take out a sheet of paper and answer these questions:

- *What are my organization's three HPOs (highest priority desired outcomes)?*
- *What are the three HPOs for the person I'm trying to influence?*
- *How can I influence that person to think in ways that will generate better results both for the organization and for what he or she wants to achieve?*

Now you're ready to lead. It doesn't matter what your title is or what role you have in the organization. Just lead.

2. Hone the tools of influence. There are at least five ways to influence other people: demonstrate, ask, share, clarify, and challenge. Here's a brief description of each:

Demonstrate—In everyday situations, demonstrate the behavior you want to see in others.

Ask—Ask your boss, "What is the most important business outcome you want to improve over the next six months, and what three things do you think we could do that would have the greatest positive impact on improving that outcome?" By asking that question, you have narrowed the focus going forward, and clarified where not to spend your time.

Share—If the other person is into sports, share a sports analogy. If the person is into music, share a music analogy. Find a connection outside of the topic at hand and share a story or an analogy that could influence the other person's way of thinking.

Clarify—Clarify the risks and rewards of taking action by asking the group, "What are the potential risks if we take this action, and what are the potential rewards if we take this action?" Simply clarifying what lies ahead can influence the group to make better decisions on what to do and what not to do to improve results.

Challenge—Ask, "Is this our best effort?" That gracefully concise question penetrates through long-winded reports and PowerPoint presentations. It forces people to be honest with each other.

3. Don't be a mood-ring leader. To be a leader, take a stand on a given issue. Decide what you believe in, and work to influence how other people think in the way you believe to be most effective. Remember: stick to a given issue.

Dan Coughlin, as a key speaker, provides practical advice on business acceleration. He is author of *Accelerate: 20 Practical Lessons to Boost Business Momentum*. For more information: dan@thecoughlincompany.com or www.businessacceleration.com

Five Requirements for an Effective Performance Review Program

BY DONALD L. KIRKPATRICK

There is much discussion about problems with performance management systems. The problem may be that too much attention is being focused on the software systems used to capture data and less on the process itself.

Let's examine five program requirements that too often are overlooked in ensuring effective performance reviews.

Requirement #1. The program fits the organization. For example, a program that requires frequent appraisals and much paperwork will fail if there is a minimum of time available for those who must do the appraisals.

Requirement #2: The program is communicated. Everyone involved in the program must understand the what, why, when, where and how.

Requirement #3: The program is sold. Those who implement the plan must be convinced that their time and effort are going to be rewarded. Initially, this can probably be done through persuasion. As time goes on, though, the benefits must be real.

Requirement #4: The reviewers are trained. Managers need to know how to identify significant job segments, develop standards of performance, appraise performance, conduct appraisal interviews, develop a performance improvement plan, and coach.

Requirement #5: Appropriate controls are established. If a manager discovers that nothing happens if the performance reviews aren't completed on schedule, the program becomes "voluntary" even though it began as a compulsory part of the job.

This article is excerpted, with permission of the publisher, from *Improving Employee Performance Through Appraisal and Coaching* by Donald L. Kirkpatrick, pp. 104-108. Copyright 2006, Donald L. Kirkpatrick. Published by AMACOM, AMA's book division.

Here's what you'll find on the AMA Members-only Website www.amamember.org

PROFESSIONAL DEVELOPMENT

Triumphing Over Crisis: It All Depends on Your Perspective. Robert Wilson shares the stories of two men, a restaurateur (Colonel Sanders) and a janitor (Albert Edward Foreman), who both became wildly successful, despite—or perhaps because of—potential worst-case scenarios.

LEADERSHIP

The True Legacy of Leadership. Real leaders understand that their legacy depends more on their cache of good deeds than the cash in their bank accounts. Sander Flaum's advice: think of yourself as a builder and a doer—unique, accomplished, and always paying forward.

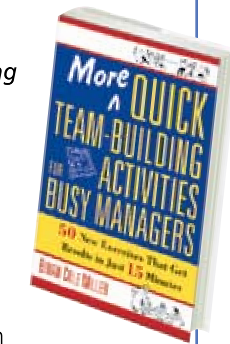
MANAGEMENT

Metric Mania. When it comes to communicating with employees about performance, do people really need ongoing updates on 32 different metrics? No. Instead, keep it simple. Answer the basic question they truly want answered: "How are we doing?"

HR/TRAINING

Employee Benefits Show Little Change from 2006. Most benefits remained stable in 2007 from 2006, according to SHRM's latest survey. But some, including automobile allowance/expenses and gym membership reimbursement, actually *decreased* this year.

Book of the Month:



More Quick Team-Building Activities for Busy Managers **by Brian Cole Miller.** Subtitled "50 New Exercises that Get Results in Just 15 Minutes," this book offers fun, productive exercises that will help your people work together more effectively. Miller even includes useful strategies for working with virtual teams.

Read the introduction to the book.
http://www.amanet.org/books/catalog/0814473784_intro.htm

AMA Conferences/Special Events Calendar

AUGUST 8, FREE WEBCAST • eBay: The Overlooked Marketing & Sourcing Channel. eBay is a proven, ready-to-use e-commerce solution that can extend your organization's marketing reach and lower purchasing costs. Find out how by attending this Webcast, which will explore these opportunities and give you specific ways to integrate eBay into your business processes.

SEPT. 5, FREE WEBCAST • Get in the Game: Using Business Simulations to Drive Excellence. Organizations are using more online courses, simulations, and complex game-based learning methodology to engage and enhance learners' classroom experiences. Join us for a conversation with Bjorn Bilhart, principal and CEO of Enspire Learning, one of the pioneers in interactive simulation development. We'll discuss the use of games and simulations against the backdrop of today's training challenges, including time pressures, the need for global deployments, and computer savvy learners.

SEPT. 12, FREE WEBCAST • Make the Right Call: Tools to Guide Critical Financial Decisions. This fast-paced Webcast examines simple yet effective financial decision-making tools and techniques. Armed with this know-how, you'll understand how to determine which projects and products will deliver the greatest profits and growth.

SEPT. 19, FREE WEBCAST • Never Eat Alone: Secrets of a Master Networker. The truth is that most people simply aren't very good at building mutually beneficial relationships. Shaking hands and collecting business cards isn't the answer. In this Webcast, Keith Ferrazzi will share powerful tips and tactics for making and keeping connections with people who will shape your career and personal life.

OCT. 3, FREE WEBCAST • Discover How to Spot Winning Acquisition Targets! In this exciting Webcast, participants will learn how to spot the ideal corporate merger or buyout that can drive profits and help meet growth goals. Targeting the right acquisitions should be a vital, ongoing component of every company's growth strategy: the right tactics (and their well-timed execution) can be the best way to grow quickly and efficiently. This fast-paced Webcast will show you what to look for—and what to avoid—when hunting for the "perfect" acquisition.

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August 2007 Issue
Executive Matters
Member Newsletter

1601 Broadway
New York, NY 10019-7420

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