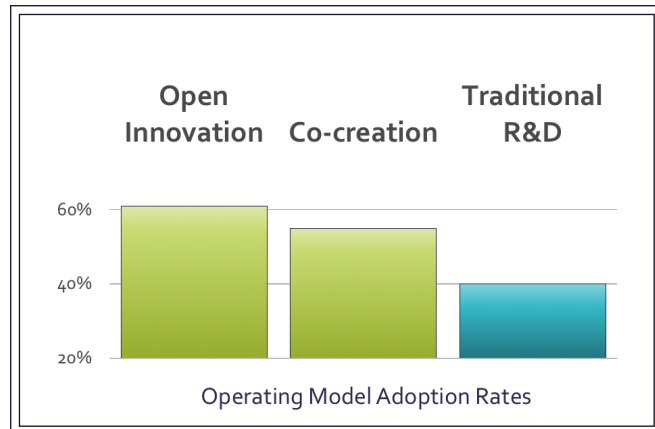


EQFACTORS™ – THE KEY TO MAXIMIZING THE ROI FROM BIG COMPANY-SMALL COMPANY PARTNERING AND COLLABORATION INITIATIVES

Background

Companies are increasingly investing in the promises of collaboration and strategic partnerships to drive innovation, transformation and growth see Figure 1)¹. Yet most organizations find themselves on the early stage of the execution experience curve, recognizing a substantial gap between the potential and the reality of these relationships.² Can companies accelerate their learning and achieve success more often with strategic partnerships?

Figure 1

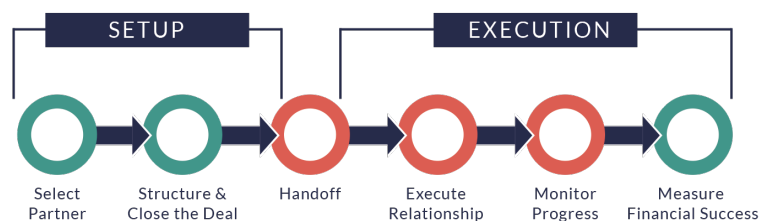


At InnovationEQ™, we found that the answer to this question is an emphatic “yes”. The solution lies at the intersection of both what the partnership is about, and how the partnership operates. This latter point – the how – is grounded in the intangible characteristics that affect the vitality of all working relationships, not just between individuals but also between people in different companies. As one executive we spoke with said: “There is a big difference between the ‘company’, and the individuals who are sponsoring or executing the partnership on behalf of the ‘company’. The individuals were the lynchpin to the partnership working or failing.”

The seeds of partnership success – and failure – are planted early. Large companies often invest heavily in the Setup stage of partnerships, through corporate development departments, custom innovation incubators and other groups. Resources and experience abound to source and structure deals.

Unfortunately, these same companies tend to under-invest in the hand-off to the equally critical and often more difficult partnership Execution stage³.

Governance, operating and measurement protocols for the partnership are less formalized from the outset, and are often ill-equipped to address the tensions that inevitably arise when priorities are evolving, cultural differences are greatest, and institutional experience is thinnest. Thus, many executives –



¹ PWC 2018 Innovation Benchmark Survey

² Touchdown Ventures Leadership Survey, 2018

³ This analysis includes all forms of strategic partnerships except joint ventures, which have their own legal, governance and operating structure.

particularly in large enterprises – lament that their company is “where good ideas go to die.” This doesn’t need to be the case.

We conducted dozens of face-to-face interviews with executives in companies ranging from startup to Fortune 100. We dug below the high-level causes of success or failure in partnerships – generalities such as the company is “a good fit” or “too slow” – and dimensionalized the factors that had an impact on the health and performance of the partnership. These factors – the EQFactors™ – are shown in Table 1 below.

Table 1

Company Attributes		Partnership Attributes	
Factor	Description	Factor	Description
Clarity	Enterprise is clear on its strategic objectives and operating plans	Alignment	Companies mutually agree on partnership objectives and KPIs
Collaboration	Enterprise is willing to co-develop and actively collaborate	Communication	Communication between partners is open and timely
Commitment	Enterprise invests sufficient executive, operational and financial resources to succeed	Fit	Partners mutually value the complementary skills and assets each other brings to the partnership
Negotiation	Enterprise is willing to negotiate mutually beneficial (“win-win”) agreements	Culture	Strong personality fit between partners
Proficiency	Enterprise is experienced and skilled at managing strategic partnerships	Risk-Tolerance	Partners have similar appetite to invest in activities with uncertain outcomes
Simplicity	Enterprise is easy to work with, lacks organizational complexity, and makes timely decision		

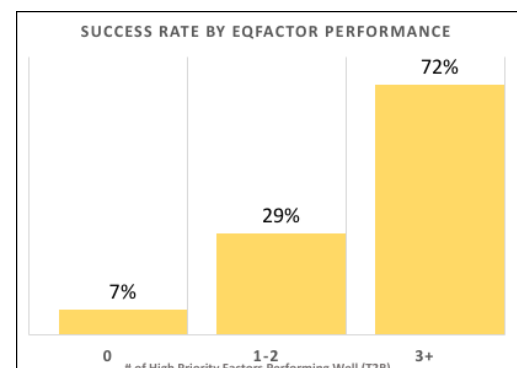
We then collected quantitative data from more than 80 leaders involved in partnerships to understand (a) the perceived importance of the EQFactors™ on partnership success, and more critically, (b) whether or not these EQFactors™ had an actual impact on ultimate partnership success or failure. Partnership success or failure was defined as meeting the desired strategic, operational, and/or financial objectives, and was self-reported. Respondents included leaders inside both large and small companies as well as various advisors, board members and investors involved in collaboration initiatives.

EQFactor™ Performance is Predictive of Partnership ROI

Performance levels on the high-priority, intangible EQFactors™ are highly predictive of partnership success.

Figure 2

Successful partnerships performed very well on 62% of the EQFactors™ that they identified as being very important/critical. Conversely, partnerships that were not successful performed very well on only 13% of their high-priority EQFactors™. In fact, overall success rates are highly-correlated with performance levels on the high-priority EQFactors™ (see Figure 2). One-quarter of the partnerships analyzed did not perform well on any of their high-priority EQFactors™. Predictably, they had the lowest



success rate. The success rate quadrupled for partnerships that performed well on 1-2 of their high-priority EQFactors™, but it was still less than 30%. The greatest benefit was realized by partnerships that performed well on three or more of their high-priority EQFactors™; their success rate more than doubled again to 72%.

EQFactor™ Performance Is as Important as Delivering on Partnership Deliverables

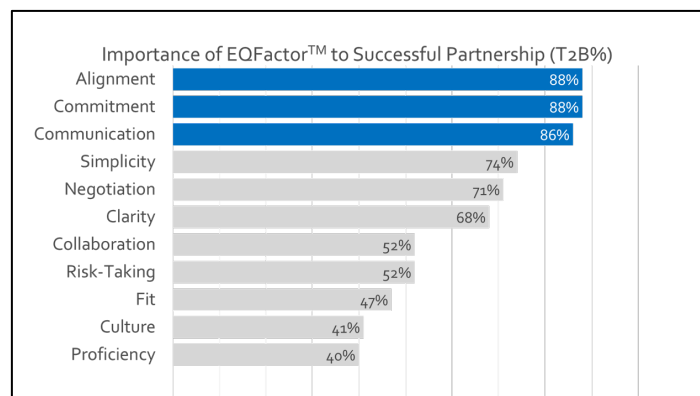
The intangible EQFactors™ are just as important to success in strategic partnerships as is delivering on the contractual commitments of the partnership. Forty-seven of the partnerships analyzed reported that both parties delivered on their stated commitments. Yet nearly one-quarter of these partnerships were deemed to be unsuccessful – a significant yield loss that ought to be avoidable. The difference between success and failure among these partnerships is explained by how well the partnership performed on these intangible EQFactors™. Successful partnerships performed well on nearly two-thirds of the EQFactors™ they identified as being important. On the other hand, the unsuccessful partnerships performed well on less than one-quarter of the EQFactors™ that were important to them.

Focus on the Right EQFactors™ Drives the Greatest Overall Success

On average, successful partnerships identified 18% fewer EQFactors™ as being very important/critical to the overall outcome of the partnership, when compared with the unsuccessful partnerships. Focus begets success. So which EQFactors™ are most important? As each partnership is unique, so too is the set of EQFactors™ that impact success. That said, three EQFactors™ were most prevalent (Figure 3):

- Alignment – are partners aligned to what each wants to achieve from the partnership, and how they will go about doing so?
- Commitment – is each partner investing sufficient financial, leadership and operational resources to achieve success?
- Communication – is communication between partners is open, timely, and sufficiently frequent?

Figure 3



Implications

Our findings offer some practical tips for leaders looking to maximize the return on their innovation, transformation and other partnership-driven investments.

Understand and improve the “how”

Invest time up-front to identify and align on the high-impact EQFactors™ that you will use to measure and manage the vitality of your partnership. Insure you are leveraging your company’s strengths and have an objective view into your blind spots. Our EQDiagnostic™ framework can focus your organization on the 2-3 most impactful areas that will have the greatest near-term impact on partnership success rates. This simple step will enable sharper focus and provide the foundation to co-navigate the twists and turns that will inevitably arise.

Build the right capabilities

If your company is programmatically investing in a large and/or growing number of partnerships, how do you ensure consistency in the way you execute partnerships and raise success rates across the organization? This can feel like a particularly daunting challenge if partnerships are managed in a decentralized manner, or if your company is still early on the experience curve with respect to partnership execution. Deploy practical program management best practices specifically selected to target the EQFactors™ that are most impactful for your specific situation

Measure for Continuous Improvement.

Now that you know that EQFactors™ are predictive of longer-term partnership success, turning these intangible factors into tangible metrics can provide critical visibility and accountability for ongoing performance as partnership execution best practices are deployed. Systematic measurement of the EQFactors™ is essential to provide ongoing feedback and allow you to course-correct before the partnership becomes dysfunctional. We have developed a simple tool – EQMonitor™ – to provide you with the data you need on each partnership to achieve higher levels of success

About InnovationEQ™

InnovationEQ™ is a data & analytics advisory firm that empowers clients to maximize the ROI of their investments in partnerships and collaboration. We provide transparency and help improve the key relationship and execution skills (EQ Factors™) that impact success, with a focus on big company-small company partnerships. Visit www.innoeq.com or contact us at info@innoeq.com to learn more about our services and how an assessment can benefit your company.