



**CATCH-9**

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### **PARTNERSHIPS FOR PROSPERITY: IT'S EASIER WITH TWO.**

Guarding corporate secrets closely and keeping the doors to the company shut is old thinking - businesses can benefit from opening up. It's easier with two – prosperity can be generated by allowing others to compensate for weaknesses. Clever employees are highly desirable, if they can be managed – if not, they can be outsourced. Partnerships between companies, brands, celebrities and media can be fruitful if approached with sensitivity. Corporate self-effacement (CSE) represents a fertile new strategy for companies that are prepared to open themselves up.

### **The old way: keep your cards close to your chest**

*“Imagination is more important than knowledge.”*

Albert Einstein

The locked filing cabinet. The security guard. Non-disclosure agreements. Gardening leave. Some businesses operate as though they are living in a spy movie. And yet the modern way is open and collaborative. Dusty secrets and playing your cards close to your chest are less and less likely to yield a decent result. Many factors have contributed to this new

state of affairs.

1. Disappearance of the one-job executive
2. Speed of copycat products
3. Internet revelations of inside workings

The days of joining a bank as a trainee and collecting your gold carriage clock forty years later are gone. Never was this phenomenon better illustrated than by Theodore Zeldin:

“The CEO of one of Britain's multinationals says that he no longer interviews graduate applicants for jobs: they have become so choosy that it is they who interview him. They want adventure and excitement, not just money; they want to explore the world, to meet interesting people, to grow as individuals, to develop all sides of their personality. A career is no longer a life-long commitment but a pub-crawl through different jobs, because there are not enough really interesting ones to satisfy the aspirations of the ever-increasing number of educated graduates. They demand that work should suit them rather than that they should fit into a pigeon hole with an impersonal job description which ignores their unique characteristics.”

Staying in the family and keeping a lot of secrets does not tally with the modern world of business. Executives with supposedly vital knowledge will move on and take it with

them, regardless of any punitive gardening leave periods imposed by possessive and jealous companies.

Seconds after a company has launched an innovative product, an ingenious rival has dismantled it and worked out how to create the same thing, or better. The competitive advantage of being first may help, but not for long, and even then the entry costs borne by the first in may create a highly advantageous slipstream for the second and third entrants (see chapter V). Speed of commercial mimicry has become so fast that there is almost no point in keeping everything a secret, with the possible exception of the pharmaceutical market, in which licenses protect new drugs for a period to reflect the exceptional length of clinical trials and amounts of investment.

Thirdly, the Internet has let light in on almost every organization to the point where secrecy is almost pointless. Many businesses have concluded that the benefits of genuine transparency are far greater than those of clandestine secrecy. What those less enlightened companies soon find out is that holding back is usually followed rapidly by unwelcome deep scrutiny. Most things can now be discovered and if a company is acting properly with nothing to hide, then why not? In a new, open world, secretive behaviour merely implies that the business has something to hide. It is better to open the doors and let the world in.

## **It's easier with two**

*“For a marriage to have any chance, every day at least six things should go unsaid.”*

Jill Craigie

Despite heavy temptation to diversify unwisely into areas they know little about, many companies have rightly concluded that they cannot do everything themselves. By being more open-minded, they can concentrate on what they do well and join forces with others to fill in the gaps. As we saw in chapter II, one of the nine rules of the long tail was to move inventory way in or way out. In a physical sense, this means that businesses should either make their products available from the central warehouse and bypass the retail network, or outsource their storage in the same way that Amazon does. This insource/outsource observation can also be applied to skills and ideas. A business does not have to do everything itself. Indeed, it is very likely that it is better if it doesn't. A problem shared may well be halved.

This approach can be applied in almost every operational area. Partnerships can be struck to solve almost every business issue. Short of bright ideas? Partner with clever people. They might be employees if you can entice enough of them and keep them sufficiently happy, or they might be accessible outside the payroll. Short of brand mystique?

Partner with another complementary brand to gain a little of their stardust. Or join forces with a celebrity or team that already has a strong cachet. Short of a convincing route to a market? Partner with, or invest in, a medium or channel that reaches the market convincingly.

These forms of associative marketing can be extremely appealing, but are not without their risks. Attraction lies in their offer of a shortcut (getting businesses where they want to be, but faster than they can do on their own); a balancing agent (delivering something that the existing business cannot); and a catalyst (stimulating movement in a new area). These desirable qualities come, however, with a number of warning stickers. Clever employees and associates have a habit of being tempted elsewhere and so their contribution may be short-lived; brands fall out of love with each other as often as they get together; and celebrities come with self-destruct buttons built-in for free, as we shall see. It is certainly easier with two, but businesses must think hard before getting involved, consider the long-term, and understand the volatility of the subject matter.

## **Partnering with clever employees**

*“The main struggle in the nineteenth century was about the land. In the twentieth century, it was about industrial assets*

*and natural resources. In the twenty-first century, the main challenge is to attract the best people.”*

Ruben Vardanian

Business 1.0 was manufacturing-based. Business 2.0 was service-based. Business 2.5 this century has been idea-based. The key to success for businesses as they head towards Business 3.0 lies almost entirely in the ingenuity of their people. This is an area examined in some detail by Goffee and Jones in their book *Clever*. Clever people are highly talented individuals with the potential to create disproportionate amounts of value from the resources that an organization makes available to them. They are not to be confused with solo artists and free agents – they actively need companies in order to flourish, and it is up to businesses to work out how to get the best out of them. These ‘clevers’ share a number of common characteristics:

1. Their cleverness is central to their identity
2. Their skills are not easily replicated
3. They know their worth
4. They ask difficult questions
5. They are organizationally savvy
6. They are not impressed by corporate hierarchy
7. They expect instant success
8. They want to be connected to other clever people
9. They won't thank you

Many a business leader would look at such a list and draw a sharp intake of breath. These people are not easy to manage, but any business aspiring to great things must utilize, if not employ, a high proportion of such characters in order to generate ideas that are sufficiently appealing to ensure success. As we saw in chapter IX virtually all of Google's new product ideas come from the time that their employees are required to take off for 'goofing around', and Procter & Gamble's InnoCentive marketplace proves that these clever people do not necessarily have to be employees. It creates the conditions for a fertile working relationship, but not necessarily one that needs day-to-day management.

## **Partnering with companies: co-branding**

*"Branding is moving into an area that is less about policing, and more about being generous."*

Karl Heiselman

Dual branding is very much on the up as companies realize the potential of being less precious about intellectual property, and less intense about maintaining 'singularity'. Brand police from head office are having to be more broad-minded as the benefits of co-branding become better understood. Lacklustre brands can certainly benefit from a leg-up, but the best partnerships are between equals.

Important components of such tie-ups can include:

### 1. New relationships

Thinking differently about other companies enables a brand to enter new territories, assume different characteristics, and find a wider range of customers.

### 2. Collaboration with competitors

Breaking the old taboos can mean doing business with companies previously regarded as archenemies. 'Don't burn bridges' thus becomes a more important mantra than ever.

### 3. Cost benefits

Shared packaging and marketing initiatives can generate a two-for-one result, with each company effectively paying half for equivalent activity or effort.

It's a beguiling package, but not one that should be embarked on in a rush. So far it is one that has been adopted most frequently by lifestyle and consumer goods companies. Online fashion brand Asos has teamed up with Diet Coke to pursue girls who "Love it light", Adidas have joined with Lucasfilm to launch a Star Wars-themed footwear collection, and U2 frontman Bono's Product Red has joined forces with Gap and Converse among others. For adventurous brands with bright ideas, the possibilities are virtually endless. Dual branding can take many forms. Ingredient co-branding sees

branded materials, components or parts contained within other products. Same company branding allows companies with more than one product to promote their own brands simultaneously. Joint venture co-branding allows brand owners to make a strategic alliance to present their products, either as a one-off or for the long term. Partnerships of this kind centre on generosity and openness. A company or brand has to give something of itself in order to benefit from its association with another. Such relationships can be extremely fruitful if sensitively handled.

## **Partnering with celebrities**

*“One in four people worldwide confess to buying a product because a celebrity is promoting it.”*

MEC MediaLab global sensor report 2010

Signing a celebrity to front a brand is another form of partnership. It can be a powerful yet risk-laden strategy. On the positive side, a celebrity can transform a company's fortunes. On the negative side, famous faces can overshadow a business by sheer weight of personality, or derail its values with inappropriate behind-the-scenes antics. Sometimes called associative marketing, this approach works on the principle that a business is judged by the friends it keeps, and customers are watching closely. If one in four customers

are swayed by the presence of a celebrity association, then businesses would be negligent if they did not investigate the possibility of using one.

The lure of the celebrity is so strong that the market research company Millward Brown has developed a Cebra (celebrity + brand) methodology to reflect what customers think about celebrities, and to enable companies to work out with whom they should be associating. Familiarity, affinity and 'buzz' levels are measured to generate scores for celebrities' overall potential as brand ambassadors. This may be more complex than it first appears. The personality traits of one celebrity might be ideal for one brand and thoroughly inappropriate for another, and the mix becomes even more complicated if a brand chooses to use more than one celebrity. In such a case, the blend can be created by the sort of profiling that is already prevalent in the executive recruitment world for building management teams with complementary skills.

This is a world of heroes and anti-heroes. Some businesses actively want to associate themselves with anti-heroes – the rebels and mavericks that appeal to so many audiences. But the line between edgy (and yet still acceptably appealing) behaviour and public disgrace is a very fine one. Golfers, footballers, rock stars, TV presenters and more have fallen foul of pretty much every vice known to man: sexual impropriety, alcohol and drug abuse, and even violence. The

simple death and defamation clauses that were standard in artist endorsement contracts have been radically tightened in the last thirty years as a result. Perhaps unsurprisingly, this huge level of exposure for celebrities as brand ambassadors leads to the generation of league tables of positive and negative role models, enabling businesses to choose their level of risk. It's big business.

## **Partnering with media: owning a channel**

*“The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.”*

George Bernard Shaw

There is a phrase in the media world: media is bought, owned or earned. Buying the stuff is easy, and as old as the hills, but many argue that its efficiency is declining. A business with sufficient resources can buy television airtime, posters, cinema advertising, press, radio or online – and take its chances on a return on investment based on best information about the reach of each medium. There are worse approaches, and for many companies it works fine.

Owning a medium can be achieved in many ways. Business

magnates often own newspapers and television stations. The degree to which they use them as mouthpieces for their own ends is the subject of continuing debate. The football club Manchester United owns its own television channel, thereby guaranteeing that the medium reflects subject matter and attracts viewers that are 100% dedicated to the club. Sometimes it is possible to own the medium, and the subject matter, and the audience, all at the same time. Sponsorship attempts to offer a similar result: by attaching a brand to an event or programme, the sponsor hopes to be viewed as indivisible from the item it is sponsoring. This discipline has become such a science that brands can, and often do, invent their own events or supplier-funded programmes to meet an audience need and promote a product simultaneously. If sensitively handled, the provision of content and entertainment can be both hugely popular with customers and very commercially lucrative. This is the ideal position.

Some brands try to influence their audience via product placement, but many are unconvinced of its efficacy. According to Martin Lindstrom, author of *Buyology*, it doesn't work, even though many companies spend a fortune doing it. Even a survey in the trade title *Marketing Week*, which arguably should be in favour of such an approach, found that 81% don't think that seeing product placement on TV will influence their purchasing decision. Interesting then that there has been a significant lobby in the UK to make it

allowable on national television for the first time, which has now proved successful. Somebody somewhere clearly thinks it has value. What price James Bond driving your company's car when it appears to be a genuine part of the storyline?

Scores of media channels and materials offer a myriad of contexts in which to place a product, and there is an industry for almost every route. Subliminal messages work, which is why people want to smoke more when in a Marlboro lounge containing imagery that is subtly reminiscent of the brand. Rituals work, as in the 119.53 seconds it takes to pour a pint of Guinness. As we have seen, neuroscientists even believe that they can prove that strong brands excite the brain in the same way as religious images. Interestingly though, sex detracts from decent branding because of what Lindstrom calls the Vampire Effect – sucking attention away from what advertising is actually trying to say. And some messages can have the opposite of the effect they are trying to achieve. For example, warnings about the perils of smoking can in fact increase smoking because they unintentionally trigger all the (nice) cues that people associate with it.

Earned media is effectively any positive publicity generated for businesses by delighted customers. Social media are the most common forum for it, but word of mouth fulfils the same role. Neither can be bought, and remain gold dust.

## **Corporate self-effacement: the future?**

*“It’s easy to be brave from a distance.”*

Aesop

Partnership of any kind requires a business to bare all. Whether working with other companies, celebrities, competitors or media, it’s a messy business. Some companies compete in some sectors, and work together in others. It’s the new way. In this respect, corporate self-effacement, or CSE, could well represent the future for businesses, and offer a more successful strategy than the closed-door policy of yesteryear. Subtle exposure in the right place is preferable to brash representation or interruption – customers don’t want it any more, if they ever did. Companies should not try to be everything to everyone. Where appropriate they need to admit their weaknesses and get others to compensate for them – if necessary, outside the company.

## **Why business will never be the same**

- Guarding corporate secrets closely and keeping the doors to the company shut is old thinking - businesses can benefit from opening up
- It’s easier with two – prosperity can be generated by allowing others to compensate for weaknesses

- Clever employees are highly desirable, if they can be managed – if not, they can be outsourced
- Partnerships between companies, brands, celebrities and media can be fruitful if approached with sensitivity
- Corporate self-effacement (CSE) represents a fertile new strategy for companies that are prepared to open themselves up

## **CASE STUDY – STAR ALLIANCE (GLOBAL)**

In 1997, a group of five world-class airlines got together to create something never seen before in the airline world – an alliance that brought together networks, lounge access, check-in, ticketing and a range of other services to improve the travel experience for customers.

### **WHAT EXACTLY HAPPENED?**

The first airline alliance was actually started back in the 1930s, when Pan American-Grace Airways and parent company Pan American World Airways agreed to exchange routes to Latin America. The first of the larger alliances was started in 1989 when Northwest and KLM Royal Dutch Airlines agreed to code sharing on a large scale.

In spite of these early partnerships, in the early 90s global travel was still complex and often inconvenient. Connections were uncoordinated, problematic and time consuming, and although Frequent Flyer Programmes existed, (including access to airport lounges, upgrades, and so on) they did not extend beyond individual airlines.

So in 1997 Air Canada, Lufthansa, SAS, Thai Airways International and United established Star Alliance – the first global airline alliance offering ‘worldwide reach, recognition and seamless service to the international traveller’. Star Alliance Services GmbH is jointly owned by the member airlines based in Frankfurt, Germany. By 2010, the team included around 75 employees from 25 different countries, and the number of airlines in the alliance had grown to 26, including Air Canada, Air China, Air New Zealand, Continental Airlines, Egyptair, Spainair, Swiss, Singapore Airlines, South African Airways and Turkish Airlines.

Market data from December 2008, showed Star Alliance as the largest passenger alliance with 29.3% market share (with OneWorld at 23.2% and SkyTeam at 20.6%), carrying 586 million passengers a year. A press release from Star Alliance in March 2010 confirmed that the network offers 19,700 daily flights to 1,077 airports in 175 countries.

The benefits of collaboration are significant for the airlines’

customers as well as the member airlines. CEO Jaan Albrecht explains, “Star Alliance has created a global airline network, offering customers seamless travel as well as status and recognition on all member airlines. Additionally, through Star Alliance, the member airlines have the opportunity to increase revenues on the one hand and to explore a wider range of cost saving opportunities on the other. These benefits are helping our member carriers through the current challenging market conditions, while our global network is continuing to attract a growing loyal customer based.”

Products designed to enhance the customer experience include ‘Star Alliance Connections’ which works behind the scenes, tracks flights, and if delays occur, make arrangements in advance of arrivals to transfer passengers efficiently. They also have a number of ‘Move Under One Roof’ initiatives, where they are adapting certain airports so that they house all Star Alliance member airlines in one terminal - under one roof. This ensures faster transfer times, and in many airports the time taken to get to connecting flights has been halved.

Frequent Flyer Programmes have also changed as a result of these alliances. Now, no matter which member airline’s Frequent Flyer Programme a customer belongs to, they can earn and redeem miles when travelling with any Star Alliance partner.

The spirit of collaboration extends beyond the airline partnerships. The Star Alliance Network has established a partnership agreement – Biosphere Connections – with a group of international organisations promoting environmental sustainability, including the UNESCO Man & Biosphere Programme, the International Union for Conservation of Nature, and the Convention on Wetlands. The objective of the initiative is to contribute to the promotion and conservation of biodiversity, and the sustainable use of natural resources in all the countries and regions that Star Alliance member airlines operate. The Star Alliance Network shares the long-term goals of the partner organisations – to seek conservation of biodiversity and natural resources in biosphere reserves, world heritage sites, wetlands and the sustainable development of human communities and the ecosystems they depend on.

## **WHAT CAN BUSINESSES LEARN FROM THIS?**

- It's better with two, or even twenty six
- Collaboration can lead to a better customer experience, the ability to offer more services, and cost savings
- Old rivalries may well need to be buried in pursuit of a greater good
- Taking a world view can be a benefit to all – companies do not necessarily need to labour on on their own

- In the airline market, partnerships of this kind may even have prevented some airlines from disappearing altogether

## **VITAL STATISTICS**

- Launched in 1997 with 5 airlines
- Now the largest airline alliance (29.3% share of market)
- 286 million passengers a year (reported in 2008)
- 26 airlines in the alliance by 2010
- Network now offering 19,700 daily flights to 1,077 airports in 175 countries

## **To deal with this catch, businesses need to:**

- Realise that it's better with two, or even twenty six
- Collaborate to create a better customer experience, and the ability to offer more services, and cost savings
- Bury old rivalries in pursuit of a greater good
- Take a world view for the benefit of all – companies do not necessarily need to labour on on their own