THE CONSULTANCY GROWTH NETWORK

STRATEGIC ALLIANCES

FOR FOUNDER-LED CONSULTING FIRMS

A guide to successfully **develop and implement** your alliance strategy

CONTENTS

FOREWORD

MARC JANTZEN
FOUNDER
The Consultancy Growth Network

Through our extensive research into founder-led consulting firms we have established that after referrals, alliances are the second largest source of new business.

So it's not surprising that our recent survey found that 90% of owners and directors of boutique consulting firms regard alliances as an important part of their upcoming business strategy.

However, despite there being clear drivers for value generation in consulting alliances, over three quarters of respondents wanted more guidance and tools to help make their alliances succeed.

This thirst for knowledge should not come as a surprise, as alliance specialists Alliance Accelerator estimate that up to 80% of alliances established across industries are likely to fail when they lack careful planning and implementation.

This guide is built upon contributions from over 60 founders of consulting businesses, more than a dozen growth experts that have built successful consulting businesses valued between £10m - £30m, and alliance specialists.

My over-riding message to founders of consulting businesses is this: if you don't have an alliance strategy built into your growth strategy you are missing a valuable opportunity. According to Alliance Accelerator, up to 80% of alliances across all industries that are created following a structured process are likely to succeed.

This guide offers you the opportunity to get it right.

56%
said that when they made alliances work, they were the most or one of the most important channels of value creation

ALLIANCE TRENDS

Digital innovation and AI

A long-term driver of alliances in the consulting sector is the disruption to the industry from accelerating digital innovation and this is accentuated by the rapid development of generative AI. This is being reflected by a transformation in how consultants are delivering their work. More consulting firms are using alliances with AI, technology and information businesses to enhance their services with new data sets and digital tools.

As increasingly sophisticated consulting clients also face similar forces of disruption, they have been looking to consulting providers to offer them a broader set of services to enable their digital-led and AI-enabled business transformations. As a result, notable partnerships are occurring at the intersection of consulting, software and managed services to offer a one-stop shop of business transformation solutions. Given the significant digital disruption happening in customer experience, often accelerated by AI technologies, there have also been partnerships among consulting, technology and media firms. We show you the types of firms consultancies have found the best to partner with on page 15.

The ability to offer a greater breadth of services through a carefully curated partner network (particularly those with strong AI capabilities) means consulting businesses are winning more work with new and existing clients.

> ***"We are seeing an uptick in companies looking to set up digital accelerator programmes for their clients by packaging complementary service offerings from their partnerships network, leading to repeat business through brand loyalty."***
>
> *Partnerships Manager at Ryan UK - a strategic business consultancy that specialises in identifying and securing non-dilutive funding*

TYPES OF ALLIANCES & THEIR DRIVERS

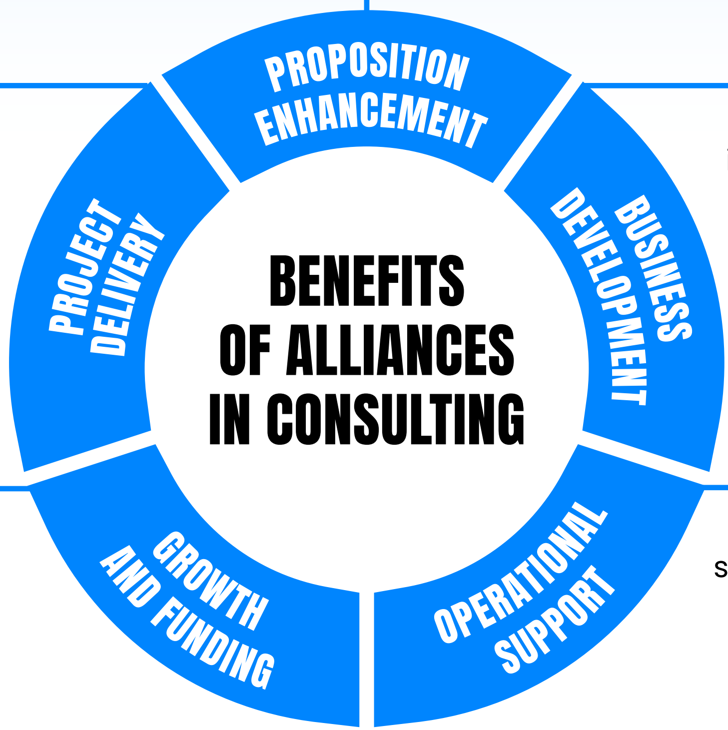
Before exploring why alliances fail and how to ensure yours are successful, it is helpful to understand the different types of alliance.

Alliances can be categorised into equity alliances, non-equity alliances and joint ventures. By far the most widely used type of alliance within consulting firms (accounting for 68% of our survey respondents) is the least complicated, non-equity alliance. This is where we have focused our research.

More than half of the respondents in our survey of founder-led consultancies said that when they made alliances work they were the most or one of the most important channels of value creation for their firm. This value comes in a variety of forms, as shown on the next page.

> ***"When I was building my consulting business, government frameworks were dominated by the Big Four, but this was a space that was really important to us. We decided to create a strategic alliance of eight companies in a similar niche with delineated services. We bundled these together and won the bid, which was a massive enabler for us to achieve our significant growth."***
>
> *Dom Moorhouse, Growth Expert at The Consultancy Growth Network*

Alliances with firms that offer complementary capabilities can provide a competitive advantage to both partners, offering clients a more comprehensive, integrated solution. 54% of survey respondents said that the primary focus of their alliances was to broaden their consulting offering to clients. In reflection of the digital disruption of the consulting industry, 54% said that broadening their offering to include technology solutions was a key objective.



Alliances can provide access to additional resource to support spikes in demand or geographical coverage providing delivery in local languages.

Sometimes very little proposition integration is required. Two businesses may be servicing the same client at a different stage of the value chain and be able to introduce a partner to contract directly with their client for complementary services. 67% of respondents indicated that business development/getting client referrals was a key objective of their alliances.

Partnering with investors, advisors and financial services firms can provide growth advice and funding to support development.

Consultancies can partner with support services or enable efficiencies by partnering with other consultants to rationalise overlapping costs and gain economies of scale in areas like marketing, human resources and administration.

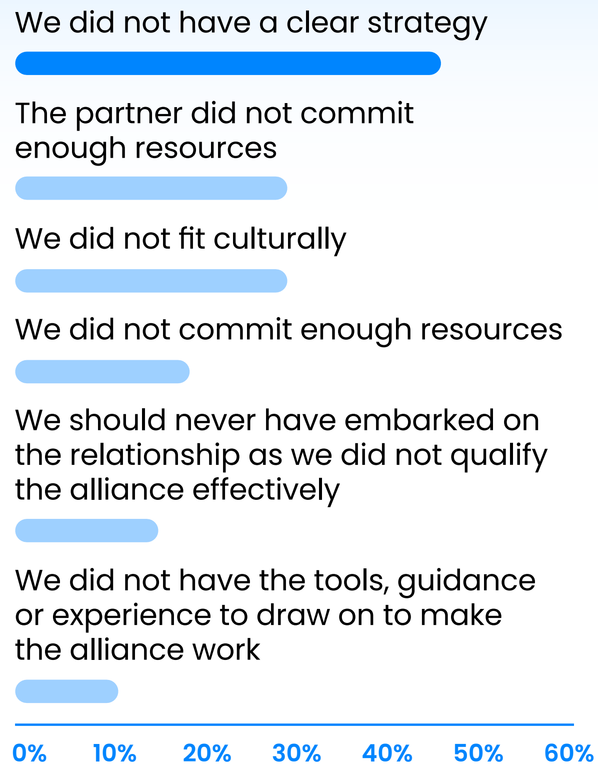
WHY ALLIANCES FAIL

Cross industry research by Alliance Accelerator found that up to 80% of alliances established without careful planning and implementation are likely to fail. Our research explored the reasons why consulting leaders believed their strategic alliances in particular failed to deliver to expectations.

We have grouped them into three primary causes:

1. ambiguous vision and poorly defined strategy
2. not investing in THE RIGHT resources
3. poor cultural fit.

Where your strategic alliances have failed to deliver to expectations, what key explanations would you give?



Source: The Consultancy Growth Network's Alliances Survey

WHY ALLIANCES FAIL

1. Ambiguous vision and poorly defined strategy

All too often alliances are doomed to fail. A senior member of the leadership team gets excited, sees the potential for an easy win and kicks off an alliance without thinking through what needs to be in place to make it a long-term success.

Where alliances failed to deliver to expectations for our survey participants, 48% attributed it to not having a clear strategy. Alliances that lack vision emerge reactively rather than as part of a well-considered business strategy which means qualification is poor and important questions go unconsidered, for example:

- What type of alliances do we want to engage in?
- How many alliances do we want to establish, which types are of higher priority?
- Who will own the relationships?
- What criteria will we use to evaluate potential alliances?

Where alliances failed to deliver to expectations for our survey participants, **48%** attributed it to not having a clear strategy

The lack of a defined strategy can result in too much energy being expended early on in the relationship and on non-client focused activities. The result is that the alliance takes too long to demonstrate business value and engagement with key sponsors wanes.

Successful implementation is reliant on both teams buying in to the value of the alliance. When alliances are not structured effectively mutual benefit becomes ambiguous and puts the relationship at risk.

WHY ALLIANCES FAIL

2. Not investing in THE RIGHT resources

Unless partnering is a clear pillar of your and your partner's business strategies, in all likelihood one or both of you will always put your core services first. This fact has to be acknowledged and effectively mitigated when establishing a new partnership. Familiar challenges relating to resource allocation include:

- one side wants it more than the other and so over invests, while the other under invests, leading to disharmony in the relationship
- senior sponsors step back too early after the initial agreement is struck
- roles and responsibilities are not clearly defined
- communication and governance processes are not put in place creating distance between the partners.

> ***Why our alliance failed: We could not carve out distinct workstreams for each party that did not overlap, and we did not actively cultivate client opportunities to feed into the collaboration.***
>
> *Consultancy owner survey respondent*

WHY ALLIANCES FAIL

3. Poor cultural fit

At the heart of any functioning relationship sits trust. An alliance is no different. If you are going to introduce a partner to your clients, to your team, even integrate their offering into yours then the proactive development of a trusting relationship is key.

All too often, it is assumed that where there is mutual benefit there will be an openness and a collaboration on both sides. Not necessarily.

Key pitfalls to watch out for in this regard include the following:

- The senior sponsors from either side simply like each other and want to do business together, without being aligned in their broader beliefs and behaviours.
- One partner has a more direct style, openly challenging the client and more aggressively pursuing sales opportunities, which doesn't fit with the other partner's more passive, collaborative approach, leading to distrust and putting the client relationship at risk.
- The teams ignore the need to provide platforms for regular and open communication throughout the partnership.
- Each partner approaches the partnership from the perspective of 'what's in it for me?', rather than 'what's in it for me, you and the client?'

WHY ALLIANCES FAIL

Often the cultural differences lie dormant until a challenge arises such as an apparent imbalance between the partners in the value derived from the relationship. The natural consequence of which is a decline in the incentive to invest time in the alliance leading to the ultimate failure of the partnership. In the worst case scenario the lack of trust, transparency and apparent fairness can result in partners abusing their power: be that stealing clients, staff or replicating your proposition.

According to pan-sector research by Alliance Accelerator, following a structured process to your alliances makes them up to 80% more likely to succeed. So despite these challenges, we know that successful alliances can be hugely valuable to building revenue and equity value in your consulting business.

> ***"18 months ago we commissioned a small development company to carry out some work. We are comfortable with the quality of their work and ethos and have now developed a solid foundation for a more formal alliance based on trust and our positive experience."***
>
> *Eamonn Seydak, S3 Solutions - a consultancy specialising in business planning, evaluations, bid writing and funding support for third sector organisations.*

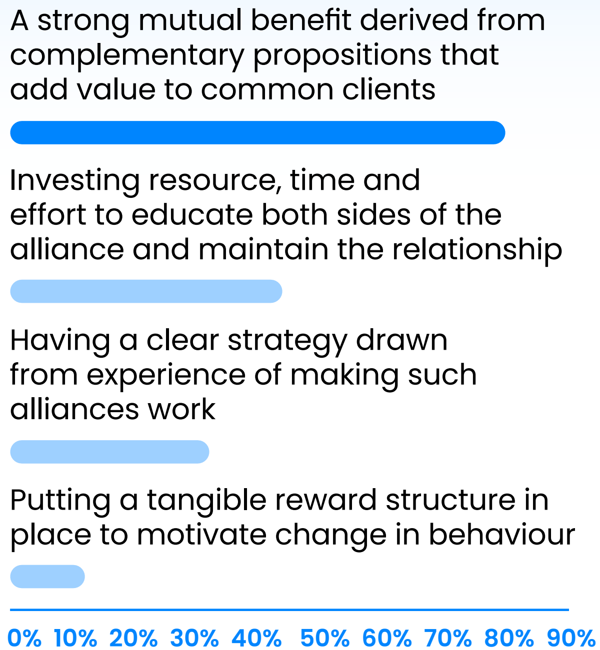
HOW TO DEVELOP SUCCESSFUL ALLIANCES

We asked founder-led consulting owners to describe what they thought made their strategic alliances successful. Strong mutual benefit to each other and their clients was the dominant component.

TCGN members can watch our workshop '**Guide to strategic alliances**', which explored the insights from our survey and is available on the Growth Hub, our exclusive member area.

We were joined by Alliance specialists Anoop Nathwani and Peter Simoons of Alliance Accelerator to answer the question: How do you develop a comprehensive strategy and approach to effectively use strategic alliances as part of your new business engine?

What are the key components at the heart of your successful alliances?

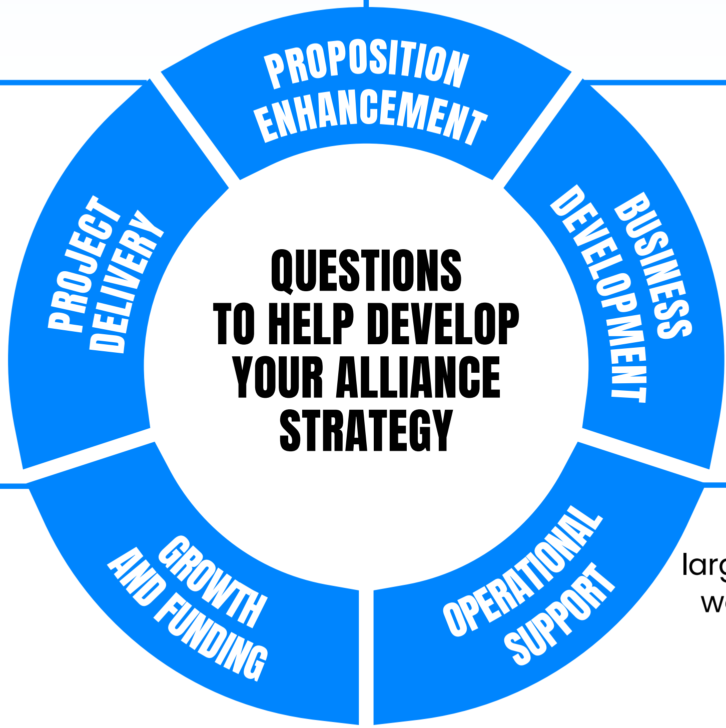


Source: The Consultancy Growth Network's Alliances Survey

Having decided to explore strategic alliances as a key pillar of your growth strategy, you next need to define your objectives, decide how you will measure success and prioritise the type and number of alliances you are looking to establish.

Firstly, consider all the benefits that can be achieved through alliances and ask yourself key questions to help you develop your strategy:

What needs do your clients have that fall just outside the scope of what you can deliver?
What new methodologies, capability or insight could partners help you access?
What complementary solutions do other firms offer that could give you a competitive advantage against your traditional adversaries?



Are your projects so lumpy that you run out of resource at certain times of the year?

Could you be supporting your clients more globally if you had access to local delivery resource?

What organisations are selling non-competitive services to your target market?

What new channels or sectors could you open up if you had a partner with contacts in that area?

Could you accelerate growth through obtaining investment, growth advice or funding whilst opening up introductions to new prospects?

Could you increase your reach by running larger, more compelling marketing events if you were to team up with firms targeting the same community with complementary offerings?

What other investments are you making that you could share with the right partner?

DEFINING YOUR OBJECTIVES

There is a reason why 'proposition enhancement' is at number 1: 83% of our survey respondents found that at the heart of their successful alliances was a strong mutual benefit among partners derived from complementary propositions that add value to common clients.

WATCH OUT!

The significant cost in developing your partnership strategy will be the indirect cost of senior management time, which is a rare commodity for growing founder-led consulting companies. Be sure to prioritise high-value opportunities rather than spreading yourselves too thinly.

Those businesses that don't spend the time thinking through the various objectives of their prospective arrangements will see their alliances fall into lower value arrangements with minimal delivery or business development value.

> ***"Alliances are an important yet underutilised business development channel for founder-led consulting firms. But it comes with its challenges. We often find alliances between mid-size businesses and larger firms turned into white labelled staffing agreements. Successful alliances require time invested defining and agreeing mutual long term outcomes and benefits."***
>
> *Augusto Negrillo, Growth Expert,*
> *The Consultancy Growth Network*

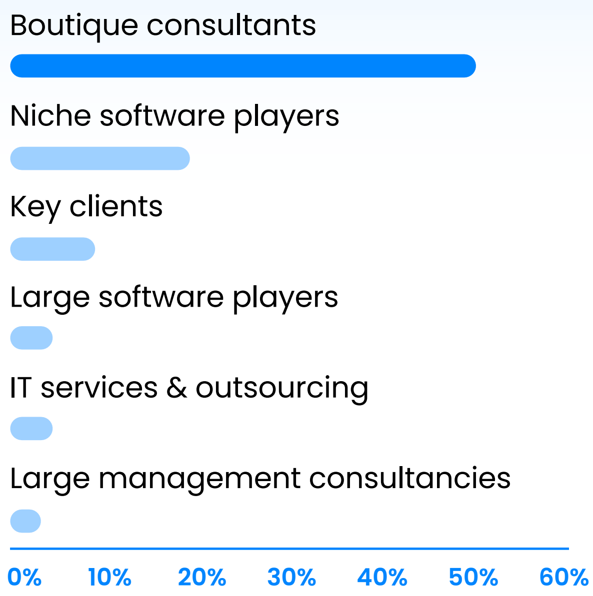
Types of organisation you could partner with

After establishing your alliance objectives, the next step is to identify the right partners to help you achieve them. Our survey found that fellow boutique consultancies are by far the preferred option for alliance partners. Limited respondents noted the major consulting firms and software players as being the best to partner with. In fact, some consulting owners expressed a higher potential to lose client work or key people after alliances with such partners. However, be sure not to rule out partnerships with larger organisations since the potential value can of course be much greater.

> *"We found a lot of success partnering with strategic platform providers given their depth and breadth. The broad set of solutions that they are offering and the strength of their relationships with our clients has also enabled us to choose the right opportunities to partner together on delivering high value solutions."*

Jon Tippell, Director at RedKite – a consultancy that acts as a data change partner to enterprise and hyper growth companies

Which of the following categories of strategic alliance partner have been the best to partner with?



Source: The Consultancy Growth Network's Alliances Survey

CHOOSING YOUR ALLIANCE PARTNER

If you are considering a sale of your business in the future, then one strategy might be to set up an alliance with your target buyer. An alliance is a great opportunity to test an acquisition for strategic and cultural fit. For some buyers with a strong emphasis on cultural alignment, the alliance may need to be over a number of years before senior management will agree to a deal.

> ***Buyers will often want to try before they buy. Selecting the right partnerships with the right brands could present an acquisition opportunity further down the line.***

August Negrillo, Growth Expert
at The Consultancy Growth Network

At the heart of

83%

of successful alliances is a strong mutual benefit among partners

CHOOSING YOUR ALLIANCE PARTNER

Selecting the right partner

Use a rigorous partner assessment and selection process that identifies the right partner(s) to meet your clearly identified objectives. Even if you have your sights set on one firm to partner with, doing a partner assessment can produce valuable insights on other prospective partners in the market.

As part of your due diligence, answer at least the following questions:

- *Is the partner's brand one you want to associate with?*
- *Will you fit culturally?*
- *What is their reputation among clients and prior partners?*
- *Are their ambitions aligned with yours?*
- *To what degree are they willing to knowledge share?*
- *What is their risk and reward appetite?*
- *Do they have the dedicated resources to make partnerships work?*

CHOOSING YOUR ALLIANCE PARTNER

Contributions and needs

Partner selection should be looking at the 3-way-value proposition creating new value for your client, your company and your alliance partner's company. When that value proposition is clearly defined then undertake a needs and contributions assessment for you and your partner. This will also help to identify the potential benefits, gaps and risks involved with the alliance. Based on this assessment you will be able to produce a weighted score with respect to their strategic fit with your objectives, as well as their operational and cultural fit with your business.

> ***We formed a coalition of partner organisations to develop a social enterprise academy that supports our profile and market engagement. We also partnered with two local firms in Australasia, which was a key route to market for our business in the region.***
>
> *Benjamin P. Taylor, Managing Partner of RedQuadrant - an efficiency and transformation consultancy for the public sector*

CHOOSING YOUR ALLIANCE PARTNER

The partner assessment and selection process provides you with useful information to structure your alliance effectively. It includes an understanding of the areas of difference between yourself and your partner that need your attention. The structure also takes into account feedback from partners with respect to their risk and reward appetite, as well as their openness to share knowledge and intellectual property. These can also be incorporated into the alliance agreement. Appropriate governance processes can also be used to approach potential disputes, conflicts and unexpected events.

> ***"We see a clear opportunity to enable synergies through partnering with a software solution in the procurement space, digitising parts of our services. We are undergoing a full partner assessment as we consider the long-term value implications of such an alliance."***

Mark Webb, Managing Director at Future Purchasing - a specialist procurement consultancy delivering research-led learning and coaching through Interactive Virtual Learning

STRUCTURING YOUR ALLIANCE

Build your team

As part of the structuring phase, select a senior level executive sponsor and an alliance manager. Some consulting businesses may want to go further and develop a steering committee for larger alliances.

At this stage, the team needs to work with the partner to consider a number of questions, including:

- ***Which party will be the lead partner and how is this determined as the alliance evolves?***
- ***What are the lines of responsibility and how do we consider this in the context of overlapping capabilities?***
- ***What does a good alliance with a 3-way value proposition look like, in the short-term and long-term?***
- ***What are the appropriate reward mechanisms?***
- ***What does the governance structure and cadence of communication look like?***
- ***What contractual agreements, technologies and processes can be used to protect knowledge and intellectual property?***
- ***What are the potential disputes and unexpected events that can occur in the future and what is the process to handle them?***
- ***What are the key metrics we will use to track performance?***

STRUCTURING YOUR ALLIANCE

Establish a governance framework

Many founder-led consulting firms in the initial phases of growth will focus their limited resources on winning work, placing less emphasis on governance structures to ensure successful delivery. To avoid such a pitfall, as a minimum outline a set of core principles that form a 'collaboration charter'. This will typically contain 10 to 15 points on the 'spirit of collaboration and partnership' when you win the work.

This charter is a great platform when you take a 'first client' approach, which is particularly relevant to alliances focused on achieving proposition enhancement and business development objectives. The strategy is to move forwards with a single client based on a set of principles that can be refined into an agreement as both parties learn more about each other's capabilities.

Adapt and refine

Successful alliances for founder-led firms are a journey, so your initial agreement may start life as an incomplete contract. As things change, your agreements will have to adapt too. The relational nature of the agreement means you can capture the negotiated principles of the relationship to allow for extensive cooperation and communication over the life of the partnership.

Each partnership is unique, so even though you may have created some kind of template for an alliance agreement, it will typically require extensive review and customisation for each alliance.

> ***The success of the alliances will hinge on early, candid conversations, where each party genuinely understands what they want from a partnership. It is critically important to ensure that there is a proper governance structure in place as part of the alliance lifecycle.***
>
> *Dom Moorhouse, Growth Expert,*
> *The Consultancy Growth Network*

DRIVING MUTUAL VALUE

You've selected the right partner and structured your agreement, now it is time to deliver. Up to this point the alliance is just an idea, perhaps with a limited degree of market testing. Like any other 'start-up' the first challenge is to get traction.

Deliver mutual value fast

Nothing delivers momentum in a relationship more than an early win. All too often parties spend too much time considering every eventuality to make sure they each get rewarded fairly and not enough time in creative joint proposition development that will blow the client away. Worst case scenario, your partner makes more money from the first engagement than you do. Provided you have your charter in place then you can adapt your agreement to reflect how you will work moving forward. If you can't agree on a fair allocation then you can cut your losses before you are too heavily invested.

> ***"Learn by doing, not by spending time trying to legislate for what might happen."***
>
> *Consulting owner survey responder*

DRIVING MUTUAL VALUE

Proactively build trust

Trust may not be tangible and on the face of it, hard to define but we know what it feels like to trust and not trust – we know who we trust and who we don't. Although we recommend entering into partnerships from a place of trust not suspicion, we also advocate investing 'beyond the task' in those key relationships – between executive sponsors and between alliance managers.

Trust building starts with your own behavior and honest communications, while being trusting in the positive intentions of your partner. Nevertheless, it is important to set clear boundaries with respect to negligence and issues of integrity, which can quickly permeate across a partnership. This is hard to legislate for when structuring the alliance agreement and requires time invested in key relationships.

Once you have traction and trusting relationships are beginning to build, the hard work begins – growing the lifetime value of the alliance.

> ***Trust is probably THE critical component of an effective partnership. A key step in building this is starting with your own behavior, declaring your intent, doing what you say you will do and assuming positive intent in your partner. This sets your stall out for a lasting successful relationship.***

Allan Watton, CEO of Best Practice Group – experts at making complex supplier relationships work really well.

LIFETIME MANAGEMENT

As time passes and the alliance becomes part of business as usual, there remain certain predictable events that can derail the alliance at any time. These include:

- one partner starts to dominate the alliance
- change in personnel e.g. for client focused alliances, a new partner leading a project who is unfamiliar or not engaged with the value of the alliance
- a partner's performance deteriorates or falls short of expectations
- unexpected business events result in a partner needing to terminate or change the agreement
- integrity concerns emerge over one partner's conduct.

Many of these situations will be covered by your alliance agreement, however not every eventuality will have been considered and you can't always rely on a document to help you get the best outcome. This is where your investment in relationships and consistent, regular communication will pay off.

The alliance manager should be assigned as the key go-to-person for the partner and have regular meetings with the partner to discuss resource allocation and performance against agreed metrics. This provides a forum for regular, timely resolution to avoid any issues getting out of hand.

Executive sponsors from each side of the alliance should also agree a cadence of communication, reflection and review.

> ***"Set a vision for where you think the alliance will be in 1, 3 and 5 years' time and work backwards to today."***
>
> *Consulting owner survey responder*

FINAL THOUGHTS

Forging alliances is an excellent way to grow your consulting company. The right alliances will allow you to offer a broader set of services, increase your value to your clients, increase your geographical reach and save you money.

However, if not established carefully and managed well, alliances have a high chance of failure.

Focus on what the alliance can do for you, your clients and the alliance partners, rather than what the alliance can do for you alone. Successful alliances are a journey, don't expect overnight results. They require investment in time, people and resources. If done well, they have the potential to drive significant value and support you on your growth journey to becoming a high performing, sustainable consulting business.

About the survey

We ran a qualitative and quantitative survey of owners and directors of founder-led consulting firms generating $/£ 250k - $/£ 20m in revenue as well as growth experts and alliance specialists. Over 80 people participated, providing us with an exclusive perspective of the founder-led consulting market.

THE CONSULTANCY GROWTH NETWORK

The Consultancy Growth Network acts as the dedicated growth partner for owners of consulting businesses turning over £500k - £30m. Through a combination of assessments, frameworks, workshops and expert input, we work with you and your senior leadership team to accelerate the maturity of your consultancy and help you build a commercially sustainable business.

VISIT TCGN WEBSITE

Marc Jantzen

Alliance Accelerator

Alliance Accelerator is the online community for people working in alliances and partnerships to learn and share. Alliance Accelerator provides alliance education to help professionals become stellar in alliances, and was co-founded by Peter Simoons and Anoop Nathwani.

VISIT ALLIANCE ACCELERATOR WEBSITE

Peter Simoons   Anoop Nathwani