The Cost of Poor Partnering

By James H. Krefft

Whatever happened to WordPerfect? Remember when it dominated the market while Bill Gates fumed about his stumbling word-processing program? Well, what happened was that *poor partnering* toppled WordPerfect from its topmost perch as the then most lucrative of all killer apps. And no one saw it coming. They could have.

In June 1994 Novell Corporation closed a $1.25-billion deal to buy WordPerfect Corporation. As insiders tell the story, in only a matter of days buttoned-down uptight Novell execs swooped down on WordPerfect headquarters in Orem, Utah. Like drill sergeants shaking down longhair recruits, the Novell culture police began preaching Novell's rigid management precepts, demeaning the WordPerfect executive team as nitwits, and cracking my-way-or-the-highway bullwhips in every direction.

In short order, the open-collared laid-back WordPerfect team abandoned ship in droves, and within a year WordPerfect collapsed in the marketplace. In January 1996—a mere 20 months later—Novell unloaded WordPerfect to Corell for $250 million, a loss to Novell of $1 billion. For Novell that $1 billion was the "Cost of Poor Partnering" (COPP). You know of many other examples of failed business partnerships. And so do your colleagues. And we all know how much these failures cost, financially and socially.

Although many leaders have embraced the Cost of Poor Quality (COPQ), and comparable measures such as the Cost of Poor Selection (COPS), as reliable indicators of production and administrative waste and excessive cost, few have considered the prospective magnitude of COPP. Many executives historically concentrated on task-derived defects and ignored relationship-based defects.

As the WordPerfect-Novell case illustrates, the direct cost of a failed business partnership can run as high as 80 percent of the investment in forming the partnership. Perhaps more important, based on research conducted by Partnership Continuum, Inc., the indirect costs and the opportunity costs associated with a failed business partnership can amount to as much as five times the investment. For Novell, the total COPP was therefore as much as $7.25 billion.

Almost 80 percent of all business partnerships fail; and each of these failures costs shareholders, employees, and customers thousands, millions, billions of dollars. Partnerships are assets for an organization, a source of revenue; and protecting and growing a business partnership is tantamount to protecting and growing the enterprise cash register. Why, then, do leaders overlook the economic risks inherent in forming business partnerships?

For starters, partnering for most people is an unnatural act, but many business executives operate under the false assumption that partnering skills are innate. The relationship skills required for being a great partner are counterintuitive to much of what we were taught and how we are rewarded in our professional lives. And these leaders forget that it is people who partner, not businesses.

There is a proven way to forge durable business partnerships. In *Powerhouse Partners: A Blueprint for Building Organizational Culture for Breakaway Results* (Davies-Black, 2004), Stephen Dent and I lay out the "Powerhouse Partner Model," a step-by-step process for building a partnering organization.

The Powerhouse Partner Model provides an end-to-end methodology for turning a business into a partnering organization. The first step is for an organization's executive team to decide purposefully that they are going to practice focused leadership. That is, they must commit to using the interpersonal behaviors of smart partnering (Dent, *Partnering Intelligence,* second edition, 2004). These partnering behaviors build trust in an organization and inspire a sense of vision and confidence in others.

But leadership by itself does not make a great organization. The second step in creating a Powerhouse Partner is building a partnering infrastructure to support, reinforce, and reward collaboration in an organization. Building a partnering infrastructure involves creating a compelling strategic framework, redesigning the organization as a partnering network, and hiring people with partnering competencies.

Once leaders have learned how to practice smart partnering, and once organization structures are in place to support the use of collaborative behaviors, employees must be trained on using these productive behaviors to accomplish work tasks. When leaders treat employees as trusted partners in an enterprise, workers are freed up to pool their collective creative energies for the benefit of the business as a whole. Continuous strengthening of smart partnering behaviors creates a self-reinforcing network and embeds partnering language and practices deeper within the organization. Language turns into action, as partnering norms become "how things are done around here."

The ability to partner successfully has an impact on every aspect of an organization's culture and operations—from its strategic framework, through its business processes, to its human resources strategy—resulting in a workplace where people will contribute their best talents. The Cost of Poor Partnering can be sky high. COPP, however, is a business risk that can, like other business risks, be sensibly managed. If you know how.

The Powerhouse Partner Model offers the structure, systems, and skills needed to practice focused leadership, build a partnering infrastructure, and develop smart partners, while inspiring employee loyalty and commitment to the strategic direction of the enterprise. A Powerhouse Partner aims first at expediting internal alliances among its diverse functions and second at extending the same partnering expertise externally to forge mutually beneficial relationships with customers, suppliers, and other companies. And especially acquired companies.

Creating a Powerhouse Partner using the Powerhouse Partner Model requires leaders to invest time, money, and energy in both achieving business tasks and strengthening business relationships. This task-relationship balance constitutes a central partnering force that must always be in the forefront of a leader's mind. Most important, leaders must day by day commit to demonstrate the behaviors of smart partnering.

The cost of not doing so—the Cost of Poor Partnering—can go through the ceiling. Invest now in smart partnering, or take an 80 percent chance you will pay as much as a million percent more later.

James Krefft has twenty years' international experience in implementing large-scale organizational change. An expert in organization design, competency-based selection, and human performance systems, he has to date enabled clients to save $2.3 billion. Jim's clients include such organizations as Exxon-Mobil, GE Capital, Lockheed-Martin, OPPD Nuclear, Pinnacle West Capital, and Qwest Wireless.

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