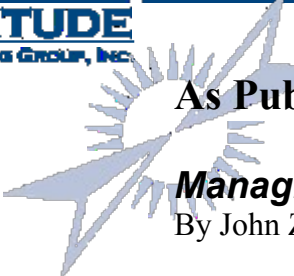




**Managing Partner Channel Interdependencies Article**

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***Managing Partner Channel Interdependencies***

By John Zonneveld and Kurt Crisman

Enterprise systems emerged in the 1990s, linking disparate departments and databases. These systems optimized the value chain, but processes were still constrained by serial information and asset flow. The systems were hierarchical and rigid and depended on a push model to deliver assets and information. Different organizations' responsibilities and spheres of control were clearly defined at different stages of the value chain. And information technology (IT) professionals spent much of their time optimizing processes inside corporate boundaries.

In the 21st century, Internet-based information technologies have extended productivity increases outside the enterprise. In the extended enterprise, areas of responsibility are less defined and the value chain has been replaced with a value network, where strategic advantage comes from leveraging added value from the network. The value network is a fluid pull model that enables vertical and horizontal partnering and encourages more collaborative processes between partners.

The extended enterprise does not directly control partner processes or infrastructure. Because interdependencies operating across corporate boundaries can be complex, business process reviews become more necessary and more cumbersome. Aligning business processes with a value network through IT solutions becomes more difficult due to incompatibilities of business practices and systems across the network. Managing partners in the value network requires flexibility.

***Technology Investment Strategies for Partner Channels***

For each extended enterprise challenge, a corresponding resolution strategy represents an appropriate investment to align processes with a partner channel.

<b>Challenge</b>	<b>Resolution Strategy</b>



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Different business practices and systems among partners, and between the enterprise and its channel partners	Common operations and tools reduce time and expense of OEM-to-partner and partner-to-partner interactions.
No direct control over partners in a channel	Increasing transparency for better decision making and coordination with partners. Certification and incentive programs directly motivate and compensate partners.
Knowledge and information fragmented across channel	Consolidating information at a single point of truth and making the right information available to the right people at the right time.

**Table: Extended Enterprise Partner Challenges and Resolution**

***Performance-Driven Channel Partner Portal***

By establishing best practices, based on common elements across channel partners, the enterprise can set a foundation for common operations. By launching a portal for a specific channel of partners, an OEM can immediately address the first challenge and provide a common platform to automate workflows, integrate business processes, share information and data, and create collaborative environments. A portal can centralize monitoring and control of data-driven transactions .

All of this transaction data resides in centrally located databases to ensure that all members of the enterprise and the partner channel can access the same data at the same time. More qualitative information, like promotional and sales literature, technical bulletins, or published best practices, can be broadcast to the portal. The portal also establishes common business systems for the community by hosting hardware and software at OEM facilities.



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To address the second and third challenges effectively, the portal must be performance-driven, meaning it is aligned to performance objectives that have been set for the entire extended enterprise, not just the corporate headquarters or the partner channel. In addition to centralizing data and information, business applications in the channel portal promote the knowledge transfer and other activities that affect performance.

### ***Simplify Interdependencies by Reducing Complexity***

What if there are many activities contributing to performance? Which activities or variables does the enterprise attempt to manage and to what degree? Identifying what interdependencies actually affect performance narrows the scope of interdependencies that must be managed. If coffee served in an auto dealer's waiting area or a restaurant chain's signs do not impact the performance that the extended enterprise cares about, it is not necessary for corporate headquarters to control how often auto dealers brew coffee or what sign supplier a restaurant franchisee uses. Understanding this fact ensures that technology investments in a channel portal and its applications have a strategic and performance-based justification.

A statistical analysis of performance data and other information can help map the interdependencies of an enterprise's value network and their impact on the channel's performance. Using structured equation modeling, for example, provides causal mapping that quantifies how the many-to-many relationships of a set of activities will impact organizational performance. These models can help predict how changing these activities will impact desired behavior (such as key performance indicators). Portal applications can also provide tools that partners can use to leverage these statistical models to make more informed decisions based on their local situation.

For example, an automotive dealer scorecard application can track metrics like customer satisfaction index or service satisfaction index, and maintain performance accountability. A scorecard becomes a much more powerful tool to manage interdependent activities and performance if it has the following features:

- Only scores metrics that can be acted on to improve performance
- Drills down to supporting data detail for performance scores
- Links performance scores to action items that impact performance



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- Accounts for regional economic differences and other environmental factors beyond a partner's direct control

By linking actions to results and identifying the critical activities for performance, a causal mapping of the value network can narrow the scope of a scorecard or other portal application and streamline its operation.

### ***Pull Knowledge through the Channel with a Top-Down Approach***

Activities that have been identified as worth managing should produce consistent and predictable business results. Channel partners need the right knowledge at the right time to perform those activities as expected while minimizing the administrative burden on corporate headquarters. To achieve these results most efficiently from a partner channel of geographically dispersed, independent entities with dissimilar business practices, it's best to use top-down training, certification, and incentive programs.

Administering certification programs, however, can be time-consuming for both the enterprise and the channel partner. The enterprise must establish and maintain the certification requirements, communicate them to channel partners, measure program performance, and provide training content. The channel partners, in turn, must be able to identify and schedule training to meet the program requirements without hindering day-to-day operations.

An organization's certification program should be flexible enough to incorporate training requirements with business intelligence data. For example, a specific individual or departmental certification requirement might combine completion of 12 training courses with a customer satisfaction index goal of 80 and a sales volume of 100 . Incorporating data relevant to a competency that goes beyond course completions helps measure the effectiveness of knowledge transfer.

Channel partner training and certification programs, designed to ensure that customers receive consistent levels of service, can be implemented more efficiently at lower costs through portal applications that manage and deliver training online. An online learning and certification management system can reduce administrative effort by decentralizing training authority and distributing effort throughout the extended enterprise from high-level OEM management to the field organization to channel partner owners and managers or even staff. Under this model, the enterprise determines what training will support performance objectives for the channel and



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makes the training available. Channel partners are responsible for completing the training required to achieve the target performance levels.

To make this decentralized model work, the extended enterprise must provide incentives that encourage channel partners to balance active work time with training time. By making manager certification requirements dependent on the certification achievements of their subordinates, layering certification can encourage training at all levels. This type of cascading certification helps to drive consistent business practices and high performance throughout the extended enterprise.

### **Balancing Top-Down with Local Needs**

Any top-down approach should be flexible and include a feedback loop. A lot of knowledge and best practices can be developed in the trenches by the partners themselves. Partner-to-partner exchanges and informal learning tools can produce bottom-up best practices that can incorporate into top-down knowledge transfer. Portal applications, like a dealer scorecard, can promote the sharing of business intelligence among partners and with corporate headquarters. New best practices with more universal applicability to process or performance improvement can be incorporated into training and certification programs.

Flexible tools and applications should allow partners to apply local knowledge to channel-wide best practices and work flows. For example, a partner should be able to take standard process flowcharts and modify them to fit its staff and resources while retaining the essential structure that ensures consistent performance across the channel. To meet performance objectives, a predictive analytical tool linked to a best practices database could help a partner identify where and how many resources could be allocated. Even the tracking and scoring of performance should account for local differences. (A rural dealer should not be required to sell as many cars as an urban dealer to receive a 100 percent sale rating, for example.)

### ***Continuous Management***

The centralization of systems and information and the increased visibility into operations provide more accurate, relevant data that can enable better decisions, coordinate integrated workflows, and facilitate knowledge transfer. By securing portals appropriately, the enterprise can provide local autonomy and individual empowerment.



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A portal provides a technical solution to align the OEM with its community, and the solution must be supported by organizational and process changes. Workflows should be reengineered to take advantage of the portal's capabilities, rather than imposing technology that makes workflow more cumbersome. Requirements to maintain and continually optimize the portal may dictate certain organizational changes, including:

- Create a corporate entity dedicated to managing and supporting partner applications
- Create business partner councils, composed of a subset of partners, that pilot new applications or significant enhancements before release to the entire partner community
- Implement contractual requirements (e.g., OEM takes hosting responsibility for business applications and charges dealer)

The extended enterprise has emerged from technology innovations, replacing the traditional value chain with a value network that creates unique challenges. Redefining processes and organizational structures and investing in technology to leverage value from this network, the enterprise must understand its complex relationships with channel partners and those among partners. When an efficient and effective extended enterprise emerges that meets both local and strategic performance objectives, the enterprise and its partner channel together can create value for the customer.

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