By DAVID McGOVERAN

B2B Success Secrets, Part VI

Recent columns have addressed business-to-business (B2B) robustness, failure modes, and scalability. The December column specifically addressed using redundant systems to reduce the risk of business failures; the January column focused on single points of failure. This month, we'll return to that topic with a slightly different twist — redundancy in B2B relationships and their selection.

We all know that sole source relationships are pretty good for the supplier and terrible for the consumer. The consumer is susceptible to monopolistic practices and, if the supplier encounters problems of quality control or shortages, the consumer can experience a surprise business crisis.

Suppliers need not be a sole source to be a potential single point of failure. Any supplier that fails to provide quality products or services in a timely fashion can create a crisis and certainly qualifies. Similar problems can occur in other B2B relationships. Sales forecasts often depend critically on the performance of distribution partners. If the failure of a particular distribution partner would result in a failure to meet overall revenue projections (possibly published), then that partner is a potential single point of failure. Similarly, technology partners can fail to deliver innovations in a timely manner, or may unintentionally misrepresent their technology. Hint: Never base choice of technology partner on how their (or your) sales or marketing teams understand their technology! Sales and marketing should establish the need, but not the specific partner.

While supply chain, value chain, and partner relationship management software has done much to aid the daily management and monitoring of B2B relationships, it has aided strategic issues little. Although analytics have recently become a standard part of such software, it's used primarily for maintenance and optimization of existing relationships. In particular, you can't really do much to identify:

- Optimal new relationships in the face of a limited budget (an essential problem of business performance and scalability)
- An alternative relationship in real-time when an existing one fails (an essential problem of business availability and agility).

Pursuing the wrong relationships and being unable to switch relationships when necessary are two primary ways in which B2B efforts ultimately fail. What can be done?

Part of the difficulty in solving these problems is that we often treat B2B relationship opportunities in isolation. Managers often reject a partnership opportunity because they "already have a partner for that." Selection is binary, with little concern for precise criteria. When relationship selection criteria do exist, they're seldom treated in any but the most informal manner. For example, there may be a general notion that the company wants to maximize its revenues or profit margin or even its Return on Investment (ROI) in the relationship, but there's no model of how these metrics derive from the relationship. Consequently, there's no way to determine whether the relationship is successful.

Almost every management theory tells us to know how to measure success. We know that today's businesses live or die by the success of their B2B relationships. Yet we don't practice measuring success when it comes to B2B relationships! Unless we can measure the degree of success with a relationship, we cannot possibly make a rational determination that a relationship needs to be replaced until a failure occurs. Even worse, when a B2B relationship fails, we cannot know which of possibly many other prospective relationships might best fulfill an urgent need.

The lessons are clear. Establish relationships of interest in which a community meets a need rather than a particular partner. Distribute the risk with no single point of failure. Every B2B endeavor should be supported by a (possibly private) process-driven B2B exchange. Web services, using Universal Description, Discovery, and Integration (UDDI), have great potential here, permitting community members to publish real-time performance statistics and select optimal alternative relationships in the event of a looming partner failure. Develop precise relationship models and success metrics (such as competitive advantage period) so new relationships can be developed selectively, and failure response optimizes success metrics and is agile. Use analytics to ensure success rather than simply report and analyze histories.

These recommendations certainly represent a serious change to traditional B2B philosophy and a serious investment. But the potential benefits are almost without limit, not the least of which is that your B2B enterprises will have robustness, agility, and integrity.

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