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If Not for You...

Partner Attribution Methods Are Now Being Reevaluated So All Parties Get a Fair Shake

By Jon Lavietes

In the IT industry, one of the greatest challenges alliance managers have faced is measuring the value partners bring to their organizations in a way that isn't arbitrary, subjective, anecdotal, or downright murky. Independent software vendors (ISVs), systems integrators (SIs), managed service providers (MSPs), resellers, and other players in the technology ecosystem have a vested interest in answering the question, "Partner Contribution? What Partner Contribution?," the same query emblazoned as the headline atop our Q4 2023 *Strategic Alliance Quarterly* feature.

This is far from a new challenge for partnering pros in tech, who have been struggling with it for many years. But as we pointed out in our *Strategic Alliance Quarterly* article, the urgency of solving it has become more pronounced as ecosystems continue to rise and serve as the norm for transacting business in the industry. It's even more difficult to trace partners' influence in those presale marketing activities (e.g., networking at trade shows, joint email campaigns, etc.) and in post-sale ongoing customer support, maintenance, and product upgrades.

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As we said in the piece, it's more important than ever to put a concrete number on partner value as determined by methods that are more science than art. Over the past two decades, the sales and marketing functions have devised ways to quantify how much revenue their efforts have contributed to the bottom line. Alliance and channel functions aren't quite there yet, but they are steadily advancing toward the Holy Grail in partner attribution: a material partner "net promoter score" (NPS)—a metric used to measure customer loyalty through client feedback. Farther down this road, alliance and ecosystem leaders will be able to march into their CEO's or CFO's office and show them that if the company puts $XX into partnership initiatives, it will yield some multiple of $XX in hard revenue.

The ASAP editorial team had been pondering a feature on partner attribution for about two years, postponing pursuit each quarter because there wasn't enough progress toward this end goal. However, we learned that partner attribution will have no true finish line; it's a process that will be continually refined in the years to come.

A Touchy Subject

While our *Strategic Alliance Quarterly* feature covers the ways that partner attribution models are now being extended to activities that occur well before and after the first sale of products and services to clients, there is still work to be done around attribution related to the traditional sales funnel in the ecosystem era. Simply put, we are seeing a lack of consensus in the industry around how to measure sales efforts.

A lot goes on between the first interaction with a prospective customer and the ultimate closing of any deal. **Norma Watenpaugh**, CSAP, founding principal at Phoenix Consulting Group, has seen a variety of partner attribution models, in which percentages of compensation are based on "first touch," "last touch," and a host of lead and opportunity creation activities in between. First and last touch are easier logistically to track. Unfortunately, those criteria also run the risk of undervaluing all of the important if slightly under-the-radar things partners do in between generating a lead and finalizing a deal, which are harder to quantify.

"That's where the partner attribution issue gets messy: Who really was the trusted advisor who drove the sale?" she said. "No matter what model you choose, it's not going to be perfect for every situation."

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Consider the Source or Remain Under the Influence?

Before getting into the weeds of the sales funnel, another broader debate is raging regarding how to best distinguish partner attribution. For quite some time, partner attribution has been bucketed into two broad categories: 1) sourced and 2) influenced. The former was relatively straightforward and easier to measure: "Would this deal have occurred had it not been for the partner?" said **Adam Michalski**, vice president of ecosystem at partner relationship management software platform provider Crossbeam. More often than not this meant the partner had the client relationship and brought the opportunity, along the lines of the aforementioned "first-touch" classification.

Michalski broke down the trickier "influenced" category into two subcategories: 1) the information around an account brought by partners, such as who the champion of a product or service might be, the executive with purchasing authority, or the inner workings of the client's procurement processes, and 2) recommendations. (Another term emerging in technology circles, "partner attached," is similar to "influenced"; it is defined when partners get involved in some part of the sales and customer service cycles in a concrete, illustratable way.)

While many in the industry still see "sourced" as the bellwether of partner success—in a September webinar, **Sunir Shah**, CEO of AppBind, equated partner "attached" and "influenced" efforts to "coattail riding"—many are starting to see its limitations.

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"Traditional sourced attribution models are obsolete and harmful for B2B organizations. This is true for both the direct and indirect business. While there is no clear direction and agreement across the C-suite on what should replace it, partner ecosystem leaders cannot afford to wait in their effort to address the challenge. At a minimum, they must establish a new partner ecosystem contribution methodology and present it side by side with their current company-mandated attribution model," said **Kathy Contreras**, vice president and principal analyst at Forrester, before offering "contribution" as a term that could cover all the roles partners play in the business. "Contribution is about understanding the impact. It is about understanding the true value partners provide to the business."

Trashing the Partner's Involvement

Aside from categorization, partner attribution efforts have been plagued by human error and manipulation as well. Most of the time, the primary means of recording partner activity has been manual entry into the company's CRM system, a process that is rife with problems. For starters, sales and partner rep feedback is subjective and not always accurate.

"That is always subject to garbage-in, garbage-out," said Watenpaugh.

"The data is really not that strong. Because it's so manual, even if this is done perfectly, the reality is that the CRO, CMO, or CEO of an organization will oftentimes, whether they say it or not, not fully believe it," said Michalski.

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Complicating matters is that data is rarely entered "perfectly" by design. One of the cultural holdovers from the pre-cloud sales models that emphasize a big-bang transaction involving massive amounts of software and/or hardware is the practice of pitting salespeople against each other and the partner; sellers didn't want to share credit—or commissions—with partners.

"They purposely try to create a competitive environment so that the odds of winning go up—four or five routes to market to try and get the same deal," observed **Mark Rogers**, senior vice president of global strategic accounts and partnerships at PRM provider Impartner Software.

"Your sales reps are saying, 'I did the sale all by myself.' It's an old problem," said Watenpaugh, who added that accounting for partners' influence was usually "squishy" if it was done at all. "[They] may or may not know or even want to give partners credit for what their level of influence is."

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"Unsexy Stuff" Under the Table

Even if a rep recognizes a partner's value, the wrong corporate culture can still incentivize that individual to obscure their ally's efforts rather than sing their praises.

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"We know the most successful direct reps are selling with partners and have been for years. That's their secret weapon. That's why they don't want to reveal that these leads are partner-driven," said **Nancy Ridge**, CA-AM, president and founder of Ridge Innovative. "There have been plenty of under-the-table deals over the years between sales reps and partners. It points to a need for rules of engagement and governance. That's the unsexy stuff that nobody wants to dig into."

Ridge added that as we move deeper into the transition to subscription models, comping your partners is going to be more important, and those who aren't "weighting compensation models properly are really cutting off their nose to spite their face."

"Until CEOs fully understand and embrace the margin multiplier effect that comes with ecosystem models, it can be difficult for them to make the needed compensation changes, so it's critical to bring education before making those recommendations," she added. "They might as well compensate the people that are bringing the business—everybody."

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The Q4 2023 *Strategic Alliance Quarterly* originally dropped on Dec. 11. ASAP members, if you inadvertently deleted it from your inbox while sampling the holiday punch or steaming over that coal you found in your stocking, don't fret. You can access and download the full issue anytime (like right now!) from the ASAP Content Hub. In addition to partner attribution, we examine how to create an alliance culture by instilling partnering capabilities within organizations, the role of the alliance operations manager, tried-and-true techniques for administering alliance health checks, and what goes into making joint steering committees (JSCs) effective "boards of directors" rather than inefficient bottlenecks. ■

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As a practitioner of collaboration in a variety of perhaps non-traditional alliance functions myself, I've found so many key elements of partnering and collaboration management for synergistic outcomes were perfectly encapsulated by ASAP's offerings.

—Kevin Little, CSAP
Senior Partnership Director
Novo Nordisk

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