The Global Information Technology Management Consulting Marketplace
Key Data, Forecasts, and Trends
2003 Edition

KENNEDY INFORMATION

Market Intelligence

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C. Alliances

Creating Alliance Effectiveness During Tough Economic Times

Interview with Adrian Ott
President, Exponential Edge Inc.

KI spoke with Adrian Ott about strategic alliances between enterprise software and hardware companies (product companies) and global systems integrators (GSIs). "Customers," in this interview, means IT customers of enterprise hardware and software, and clients of IT consulting firms.

Adrian Ott is President of Exponential Edge, Inc., which serves F1000 clients in developing alliance strategy, prioritizing initiatives and building effective go-to-market programs. Ms. Ott has worked with companies such as IBM, Microsoft, HP, SAS Institute, Netscape, and UBS Paine Webber. She gave us her view about optimal ways to grow business with partners.

KI: What changing dynamics has your firm seen with alliances between Large Product Companies and GSIs?

AO: A number of factors in the market are converging – leading us to where we are today. Increasingly, GSIs and product companies are creating deeper strategic initiatives because of changing customer and market requirements. These alliance initiatives articulate how each company will engage in a market area, such as CRM. These initiatives define the joint value proposition to customers, and individual role and value each partner brings to the customer.

Traditionally, product companies have been viewed by GSIs as vendors and were brought into customer engagements downstream. GSIs offered product selection recommendations as part of their engagement because there were too many vendors for customers to manage directly. This situation resulted in many loose alliances brought together for a particular client project.

Today, enterprise hardware vendors have consolidated. This results in fewer vendors for enterprise IT customers to manage. Customers tell us that they prefer a direct relationship with key hardware and software suppliers to influence product fixes, critical business functionality enhancements, or to qualify for volume discount terms.

In addition, enterprise software companies are seeking to generate higher revenues from their own consulting arms to compensate for reduced license revenues during the downturn. This creates conflicting alliance goals with GSIs in customer accounts if engagement models are not clearly defined.

Product companies (and service arms of those companies) are recognizing the value of the business process and strategy consulting that GSIs provide to the customer solution; not surprisingly, product companies typically have difficulty delivering expertise beyond their own products.

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Similarly, GSIs are evaluating how to best leverage alliance relationships, given reduced internal resources from layoffs. These dynamics are creating optimal conditions for deeper partnerships between each alliance partner to focus on delivering their core competency.

KI: We've noted changes to the GSI industry caused by the economic downturn. What impact has this had on alliance activity?

Both sides are attempting to leverage more out of their alliance investments. GSI alliance teams must justify their existence because they are not a billable entity. Thus, they are spending more time developing systems for reporting and capturing influence fees from product companies. This enables them to demonstrate money is being generated to the firm.

For product companies, GSI-influenced relationships are difficult to measure. (This does not apply to the reselling portion of the relationship that is easily measurable. However, resell is small relative to influence.) This is unlike hardware and software relationships, which can, for example, measure their relationships by tracking units sold on a particular platform. Product executives often ask, "How do we know whether the sale of our products was influenced by the customer, software vendor, platform, or the GSI?"

Despite this, product companies are increasingly understanding the value and role of GSI influence in enterprise sales. However, they struggle on how best to engage, given different goals and mindsets of the GSIs and scrutiny they face internally as they compete for limited resources to support their efforts and to justify influence fee payments.

KI: What can large product companies and GSIs do today to increase the effectiveness of their alliances?

AO: They should ask the following questions:

1. ***Are we aligning with the right partners?***

   There are too many "alliances of convenience" where each party enjoys working together but is not maximizing alliance investments. They need to partner with those firms with the most "feet-on-the-street" or "clout" in the market. Many times, product companies don't know which GSIs have the strongest practice areas in the markets that matter most to them.

   In order to make informed decisions with regard to alliances, you need to take an objective view of some key issues — performance, strengths, initiatives, geographical considerations, etc. One way to address this is to map your initiatives against market criteria such as GSI practice strengths by solution, by company competency, by alliance partner, and by competitor initiatives.

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2. ***Are we focused on the right initiatives?***

   In working with large enterprise clients, we've helped them to identify and cull initiatives to those that have the most impact. Corporate alliance teams need to focus

   on a few initiatives that they can focus and execute on a broad basis. Of course, local "deal-based" opportunities will continue to exist and should be supported with general engagement models.

3. ***Is there customer value in what we are doing together?***

   Often we see product companies and GSIs wrapped up in internal justification meetings or in negotiating terms of influence fee contracts. This causes them to lose sight of the customer. Nothing justifies alliance funding better than customer wins against joint alliance initiatives. Alliance manager metrics should include initiative results; negotiating and signing a contract is not a sufficient metric.

   Validating the concept with customers and closing pilot deals is an optimal way to test the value before committing large investments in the initiatives. We've tested value propositions and built go-to-market plans with a number of our clients which have identified gaps which need to be addressed to provide "real' value to IT customers. This has enabled them to tailor the initiative to true market needs and prevent wasting resources on market initiatives of little value to the customer.

4. ***Have we communicated the value proposition? Have we created joint tools for each key initiative that can be leveraged across geographic entities and/or practices?***

   During an economic downturn, nurturing and growing initiatives that are executable today or could be quickly developed with existing capabilities is key. Rapidly replicating those wins and value to other customers and geographies is more important than defining "the killer" initiative. This will generate ROI on the initiative and will justify the existence of the alliance program.

   Building go-to-market programs that document the value and tools available (e.g. solution components, success stories, ROI) for each country, practice, or global entity is important. The challenge of joint initiatives between large companies and GSIs is that it not only must be communicated and embraced by one global entity, but two.

   There are a number of considerations in this step. Do agreed upon, joint presentations and/or collateral exist that describe the solution to internal and external audiences? Is the information readily available to your sales force and partner via internal portals and training programs?

   Expectations need to be set between alliance partners recognizing that "go-to-market" is interpreted differently between a product company and a GSI. The GSI will focus on customer problems and not product functionality up-front. These issues are not insurmountable, as we've worked with clients on building go-to-market plans that address these areas.

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