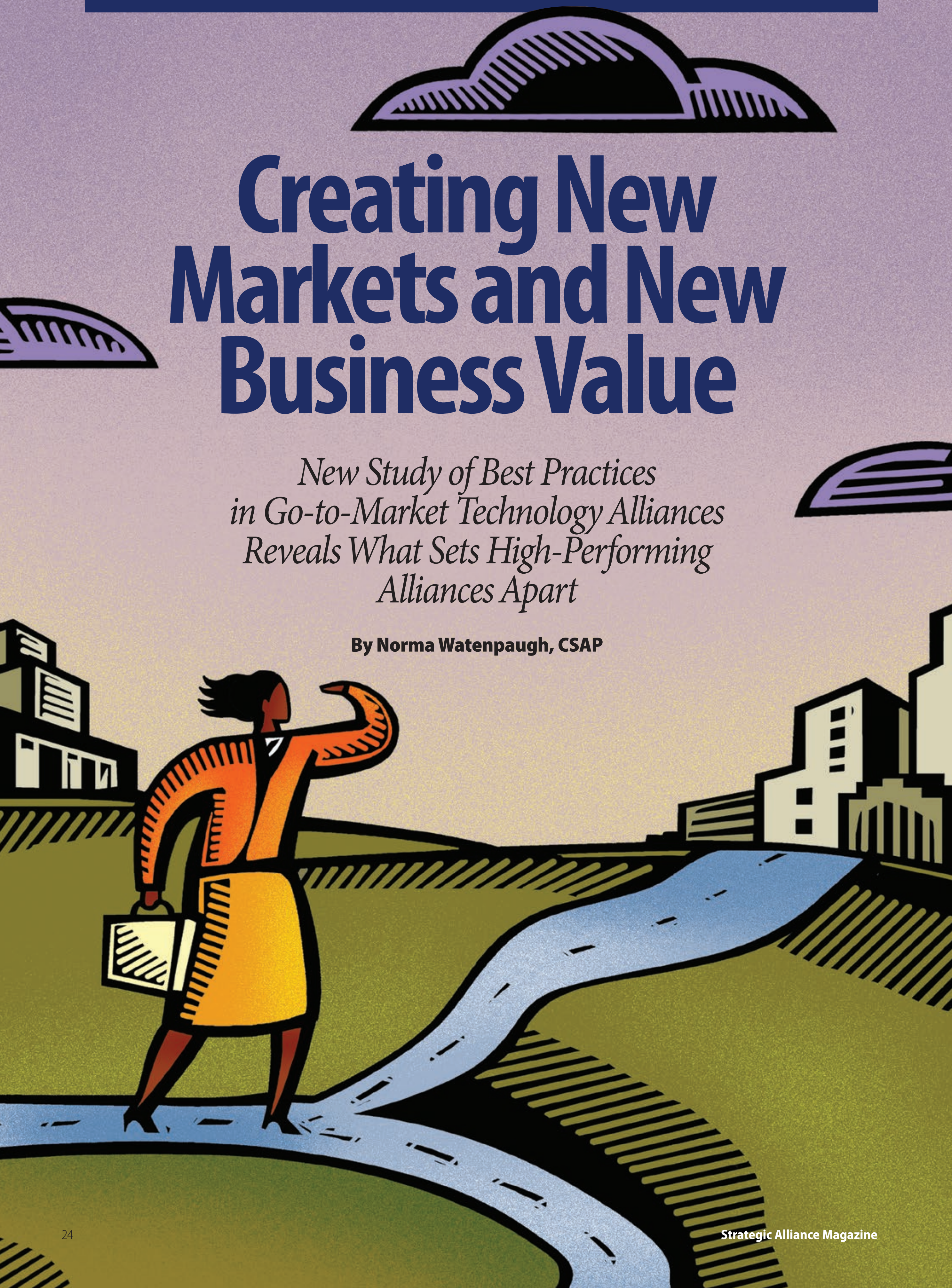
Creating New Markets and New Business Value

New Study of Best Practices in Go-to-Market Technology Alliances Reveals What Sets High-Performing Alliances Apart

By Norma Watenpaugh, CSAP



What is it about high-performing alliances that enables them to outpace their peers in creating more corporate value and achieving new heights? That was one of the central questions we were trying to answer in our recent 2013 research into the best practices of go-to-market technology alliances, and we ultimately received answers from 186 alliance managers from 95 companies representing 23 countries.

In our questionnaire, we asked respondents to provide answers about a single alliance they managed where the partners worked together in some manner to market and sell solutions to end-user customers (either in a sell-to, sell-through, or sell-with fashion). We tried to uncover not just how they created corporate value, but also how they measured it. Our aim was to obtain deeper insights into how companies valued alliances and how they allocated resources and attention based on the chosen metrics.

We also asked about the perceived success of these alliances in order to identify the high performers and determine what these organizations did differently to achieve results. We classified this group as those who indicated that in 2012 their alliances had exceeded performance expectations by at least 111 percent and as high as 131 percent or more. These alliances represented approximately 20 percent of the 186 respondents, and upon closer inspection they were indeed managed differently and were also generally more rigorous about applying alliance management practices.

Creating a World of New Opportunities

"High-performing alliances are opening up new markets of opportunity by creating business value for customers through innovation."

This statement could be a mantra for all technology alliances, but the higher performers were more strategically and operationally aligned to achieve this success.

"Partnered innovation can take the form of new solutions and applications, new delivery and consumption models, and even whole new solution categories and market ecosystems—perhaps transforming entire markets," said **Tom Halle,** CSAP, senior director of global alliances at Savvis, a CenturyLink company.

Creating new markets requires a more strategic approach than managing the revenue pipeline, which was where the low performers focused. It makes sense in any business that if you are not fueling an innovation pipeline, eventually your revenue pipeline runs out of gas.

High-performing alliances more frequently identified innovation as one of the corporate values created by their alliance. In fact, they measured corporate value more rigorously than the rest, but especially in the area of innovation capacity. They measured 30 percent more metrics in this area.

When we looked back to the alliance best practices benchmark survey conducted in 2010, we found a similar response. The top performers of that time embraced innovation as a business strategy to weather the economic downturn of 2008–9, and 70 percent were investing in new solutions to create new opportunities. Alliance executives were looking to place a few big bets with a conviction that the time was ripe during economic disruption for technology disruption. Indeed we have seen that very thing over the past few years with the emergence and convergence of Social, Mobile, Analytics, and Cloud (SMAC) computing. This has created a disruption in the alliance landscape too as technology companies realign their solution stacks to encompass these technologies. One alliance manager we talked to even referred to the traditional solution stack as the "innovation stack."

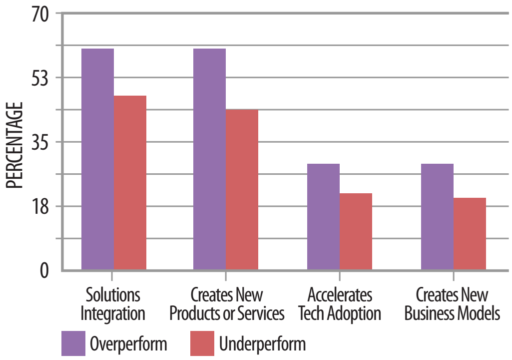
Nearly all alliances in the study cited the ability to create incremental revenue and to acquire new customers as a core value creation activity.

The 2013 top performers' responses also incorporated a sense of urgency in keeping pace with disruptive trends. They measured speed-to-market of new products and services and accelerating market development, or the rate of growth of new markets. Speed is critical in fast-evolving markets where measuring revenue alone becomes a trap. You can be generating significant revenue, but if you are not capturing revenue at a rate faster than market growth, then you are losing ground to your competitors.

But make no mistake: managing the revenue pipeline is still important. Nearly all alliances in the study (approaching 90 percent) cited the ability to create incremental revenue and to acquire new customers as a core value creation activity. But high performers were recognized for the full value they create beyond just revenue and put a high priority on creating new products, services, and solutions to solve business challenges for their customers.

"The results affirm that innovation is valued at the executive level, and reveal that many companies are taking a longer-term approach to alliances in combination with a revenue orientation. This furthers the assertion that a predominant dollar-tomorrow approach isn't an alliance best practice," said **Nimma Bakshi,** president of ASAP's Silicon Valley chapter.

FIGURE 1: OVERPERFORMERS MEASURE INNOVATION MORE RIGOROUSLY



Talking SMAC

The disruptive power of SMAC is fostering an environment of seemingly limitless opportunity for innovation. This is also causing disruption in the alliance landscape as new partnerships are created to take advantage of these trends or to fill gaps in the solution stack.

Health care is an example of one of those industries in transformation and ripe for application of SMAC technologies. Mandates to implement electronic health care records, patient portals, and health information exchanges, as well as a general shift toward managing patient outcomes that is putting patients in charge of their own health, are spawning new ecosystems for health information systems. These systems are going mobile, and they require collaboration across multiple technology vendors and services. The aggregation of large stores of patient data will allow big data analytics to find better treatments. Medical providers will be able to access a patient's complete records from an iPad and thus make more informed decisions and reduce medical mistakes (and malpractice). Patients will be able to access all of their own medical records and become more responsible for managing their own health.

"We are moving to a state where we now ask what are our partners delivering and how can we bring new value to customers versus reacting to RFPs. This gets us in first ahead of competitors—understanding what business disruptions customers are facing and what ecosystem partners we need to bring in to deliver," said **Ron Long,** global alliance manager at NetApp.

FIGURE 2: OVERPERFORMERS MEASURE STRATEGY

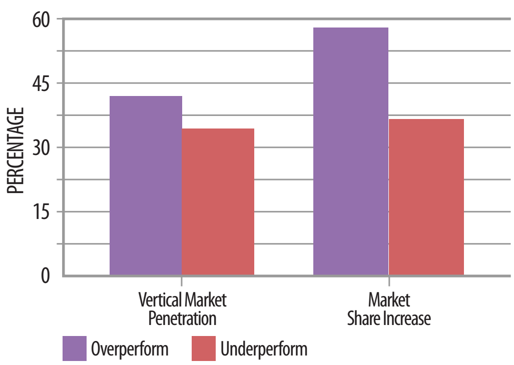
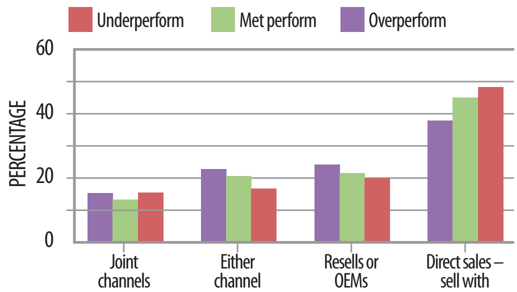


FIGURE 3: OVERPERFORMERS UTILIZING MULTIPLE CHANNELS



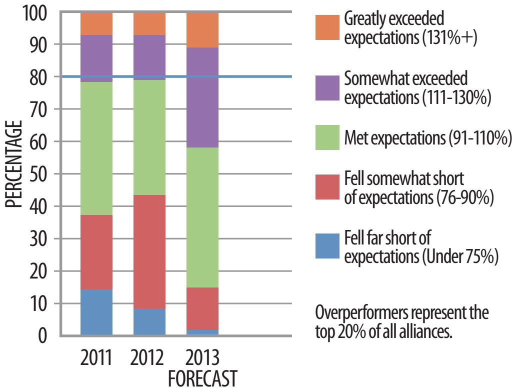
Direct Sales=Joint/sales through direct sales/sell with
OEM or Resale=One partner resells or OEMs through the other
Either Channel=Joint offer is sold through one of the partner's channels
Joint Channels=Joint offer is sold through joint channels

The Role of the Market Maker

These trends put the alliance manager in the role of market maker, which requires him or her to draw upon a different toolset from that of operational management. I've heard alliance managers referred to as "those guys who set up governance meetings and track metrics." But alliance managers in the role of market maker need to see beyond the day-to-day operations of the alliance and keep an eye on trends in the technology, challenges their customers are facing, and consequently on new opportunities for value creation and new business models to exploit. They need to tap new skills and competencies and:

- Think strategically to spot opportunities for collaborative innovation and business model disruption
- Holistically assemble ecosystems around solving customer problems
- Sell their ideas and work with senior management in achieving alignment of alliance ecosystems to the strategic imperatives of their company
- Determine the best routes to market of their solution, whether through a collaborative selling model with direct sales, channels, or OEM
- Manage to ROI expectations with an objective of creating defensible market share positions.

FIGURE 4:
ALLIANCE PERFORMANCE BY YEAR
Overperformers represent the top 20% of all alliances.

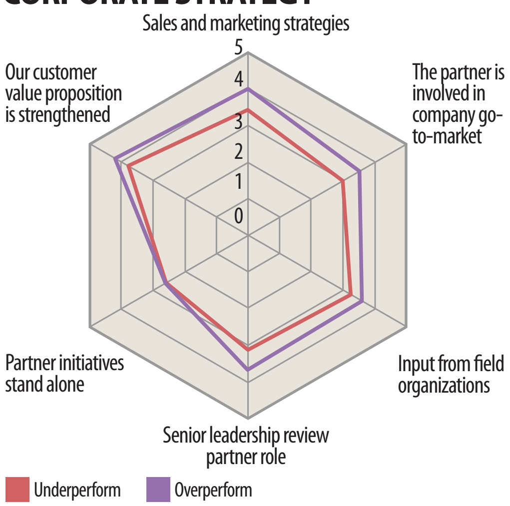


Earn a Seat at the Table

Collaboration, and in particular collaborative innovation, has been widely recognized as a critical corporate competency in the current business conversation. Top-performing alliances were more consistently aligned to corporate strategy and more collaborative in involving senior leadership, stakeholders, and partners in designing the strategic intent of the partnership. Yet we see very few alliance executives take a major role in the company strategy conversation, where the alliance experience and expertise can be invaluable.

One who does is **Alistair Pim,** CSAP, vice president of global strategic alliances at Schneider Electric. He has worked hard to become part of the corporate strategy discussion at his company. Schneider is in the energy management business, also an industry undergoing transformation as the demand for green, sustainable, and smarter energy grows. Said Pim, describing his broader role, "I am considered an adviser to the Corporate Strategy and Innovation group at Schneider, participating in the build, buy, and partner decisions; coaching business units on the best practices in partner selection; and nurturing a collaborative culture."

FIGURE 5:
OVERPERFORMERS ARE MORE ALIGNED TO CORPORATE STRATEGY

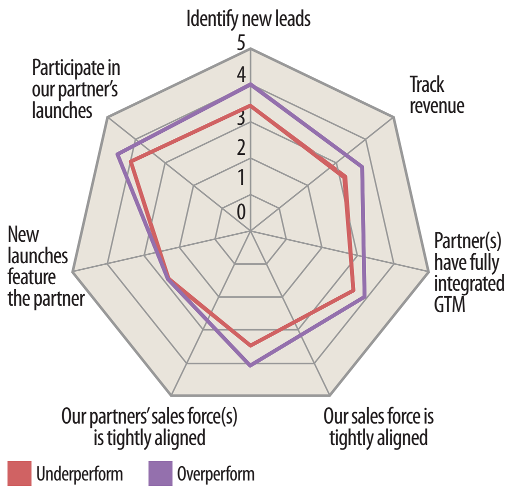


Success Is Not an Accident

Success is not an accident, and the results indicate that these management practices seem to have the greatest impact on that success:

- Creating business value for customers
- Maintaining greater focus on strategic outcomes such as market share growth
- Managing the innovation pipeline as well as the revenue pipeline
- Ensuring better alignment to corporate strategy and company operations
- Leveraging more routes to market

FIGURE 6:
OVERPERFORMERS ARE MORE OPERATIONALLY ALIGNED



Our research ultimately shows that top performers adhered to these principles at a much higher rate than other alliances.

In general, what we can conclude about high-performers is that they manage their alliances like an end-to-end business. They create new products, services, and business models through innovation and in alignment with company strategy. They are creating business value for their customers and their companies. And they are adding to the bottom line of their organizations through strategic growth in new markets. Of course, making these values a reality is

Continued on page 53

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Creating New Markets *Continued from page 27*

FIGURE 7: OVERPERFORMERS MANAGE TO A LONGER ROI HORIZON

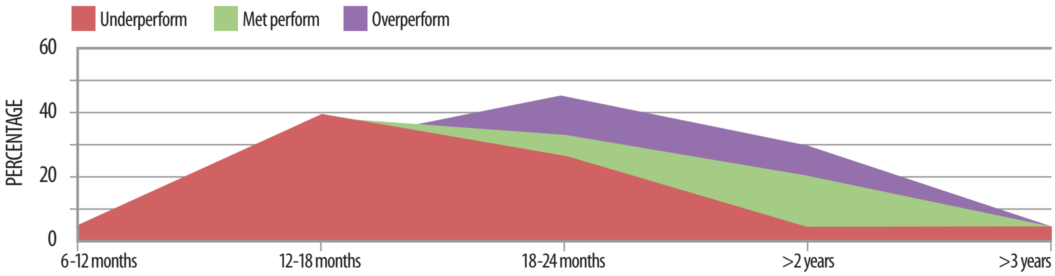
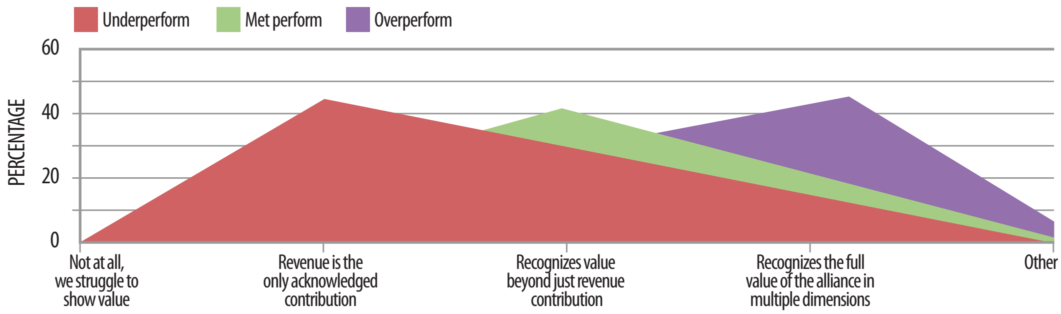


FIGURE 8: OVERPERFORMERS REALIZE FULL VALUE OF ALLIANCE



easier said than done. However, the organizations getting the most out of their partnerships have found a way to do just that. ■

Norma Watenpaugh, CSAP, founding principal of Phoenix Consulting Group, is an acknowledged industry expert in partnering best practices and has had extensive experience in partnering, alliances, and channel development. Watenpaugh has built bootstrap partner programs in start-up environments and has scaled those programs to handle the needs of large enterprises with thousands of partners, leveraging hundreds of millions of dollars in revenue. Her 25 years of professional experience includes executive positions at Sun Microsystems, Amdahl Corp., and BEA Systems. She is also a global board member of the Association of Strategic Alliance Professionals and as former chair of the Best Practices Committee led the organization in developing the profession's first professional certification and in revising and updating the third edition of *The ASAP Handbook of Alliance Management: A Practitioner's Guide.*