

Notes to accompany the WMita members’ event held on 30th September 2003

Presenters: Charles Stubbs, Partner, Istaris Business Services
 Duncan McArdle, Pre-sales Manager, Aseriti
 Greg Duddy, Public Sector and Services Marketing UK, Alcatel

Panel: Presenters
 John McGee, Professor of Strategic Management, Warwick Business School
 David Jones, Delivery Services Manager, Aseriti
 David Swift, Solutions Marketing Manager, Alcatel

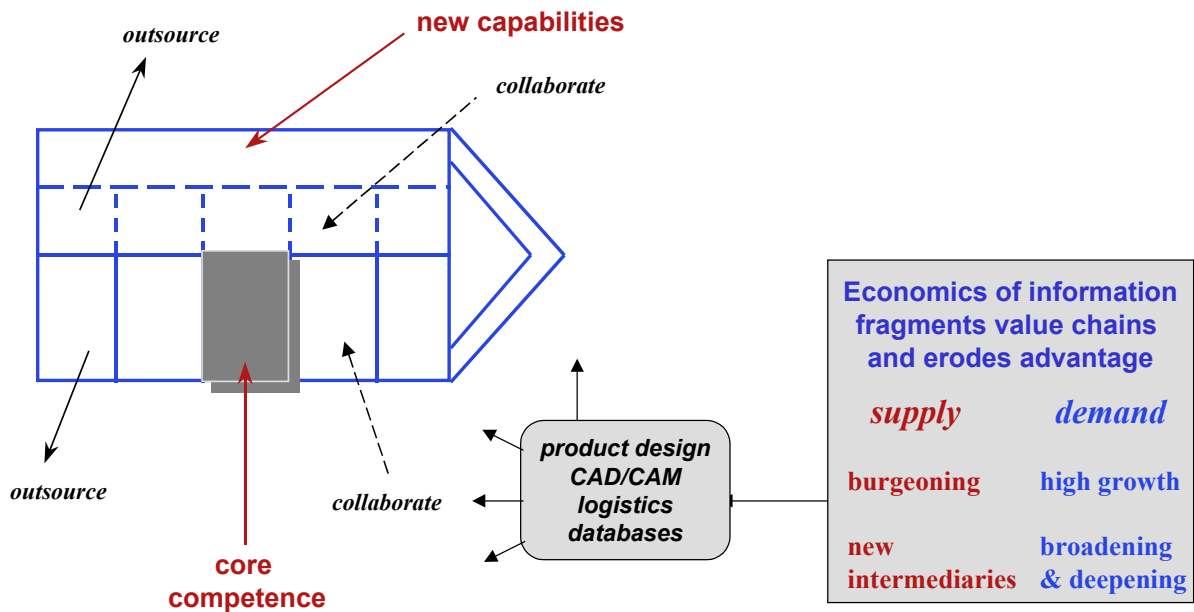
Partnering in the New Economy – optimising your opportunity

Charles Stubbs presented implications for partnering based on the work of Professor John McGee, Tanya Sammut-Bonnici and Ian Tatterton of Warwick Business School.

The new competitive model

The role of information is having a profound effect on the way that products and services are delivered. Alongside the physical delivery channel, suppliers need to ensure that they have effective, interactive electronic channels for delivering information. This will take companies outside of their areas of key competence, forcing them to gain access to new skills and new distribution channels.

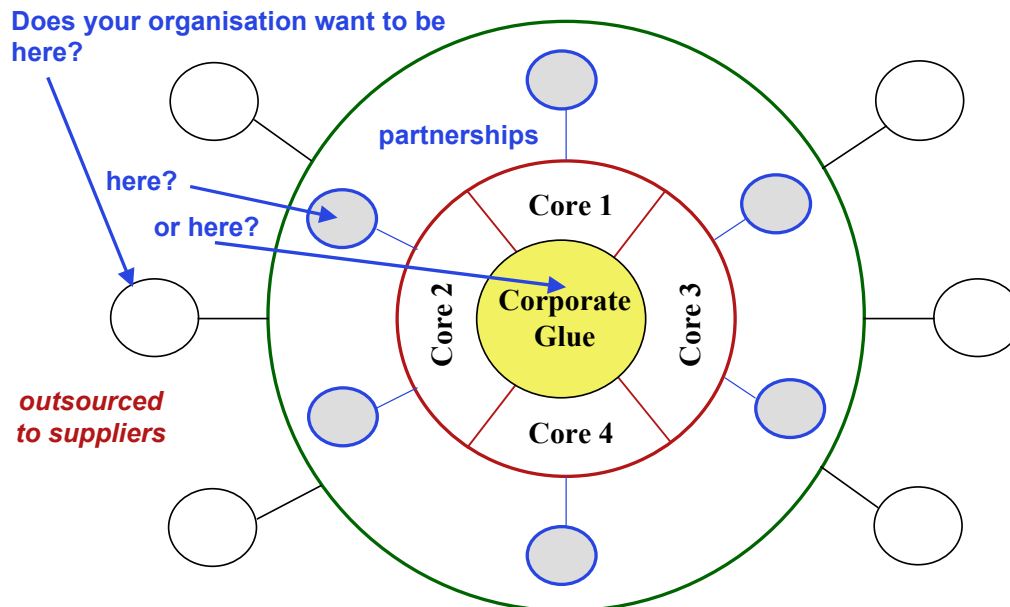
The deconstruction model



Also referred to as “Blown to bits”, the deconstruction model illustrates how market forces (the “economics of information”) combined with technological capability are resulting in a new ‘partnering imperative’ – for most ICT companies it is a simple choice: either collaborate or die. Only a few very large organisations will attempt to do everything, through organic growth and/or acquisition.

The orchestrator

Much more likely is that a few, savvy commercial operations will develop a key competence of organising collaborations of companies (having excellent “Corporate Glue”) and marketing the capabilities of the consortia to the end user. This type of business has been termed an ‘orchestrator’.



Orchestrators build ‘value webs’. Ultimately, how successful they are will depend on how well the orchestrator co-ordinates the activities of the value web to deliver what the market wants. The best UK-based example of an organisation that seems to be moving in this direction is BSKyB. It must be the aim of every ICT company to be part of one or more successful value webs. The question is: where do you want to play? As a supplier, a partner, or an orchestrator? Even smaller companies can act as orchestrators within a focused market or niche.

Unless you are doing everything yourself, or acting as an orchestrator, there will arise some fundamental issues. In the composite value chain (the ‘value web’), how do companies articulate value to the end user? The power has drifted downstream, to those few companies close to the customer. The customer base is becoming more of a spectrum than a set of discrete market segments, and organisations in direct contact with end users, able to react quickly and deliver flexibly, will win.

Partnering in the new ICT economy

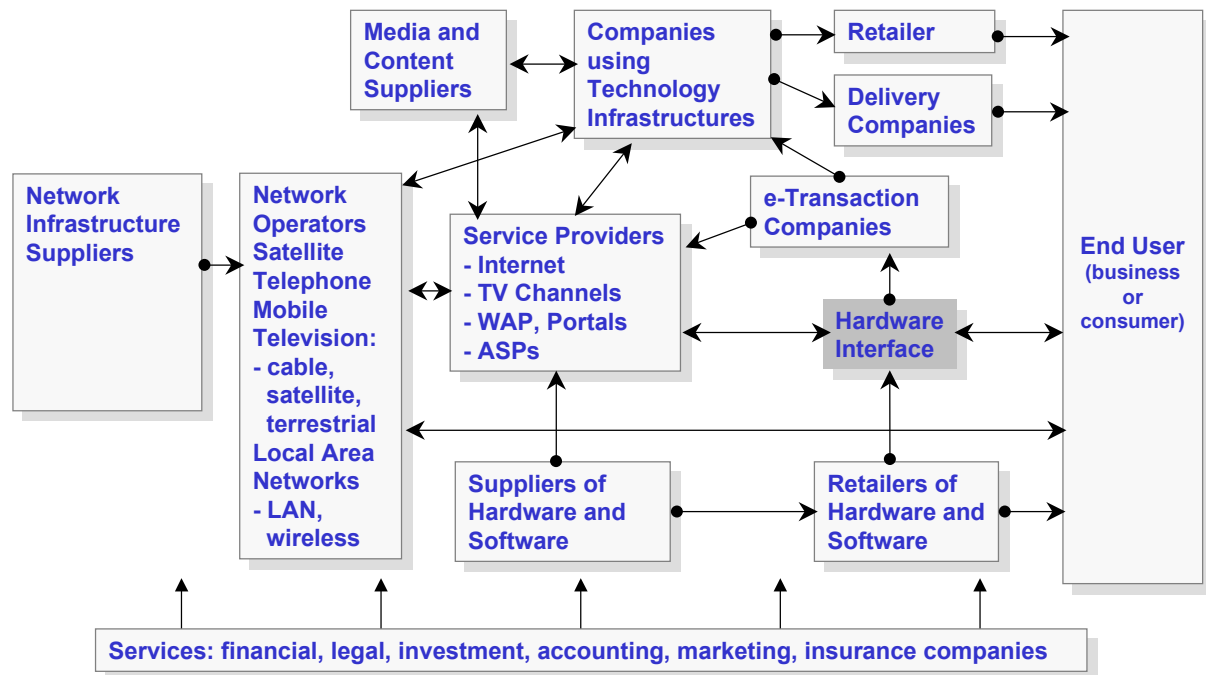
In the new economy players will have to make partnering simpler and cheaper through:

- making their offerings easier to understand
- making products/tools/support simpler
- sharing information to raise their partners’ awareness.

Companies must make themselves “partnership ready” through:

- having the right cultures, people and systems in place to quickly negotiate and ‘bolt on’ partnerships
- being able to measure the performance of partnerships cost-effectively and manage them indirectly.

Structure of the new ICT economy



Working with partners

Duncan McArdle presented Aseriti's view of the need to work with partners in the new economy.

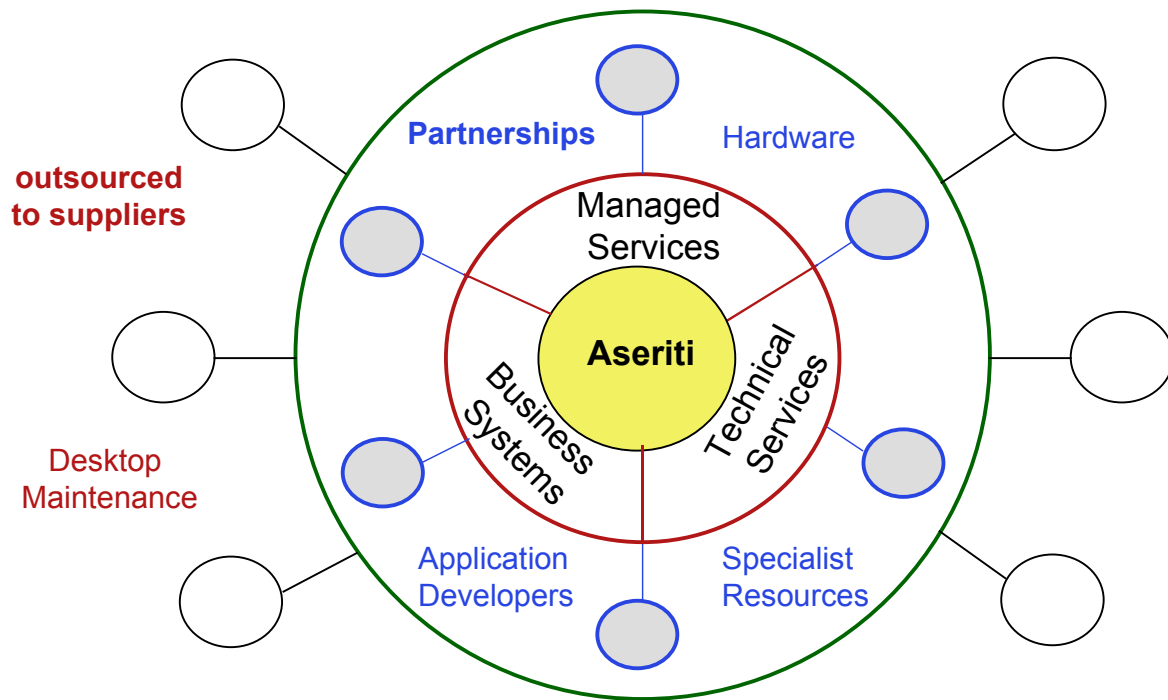
The market needs partners because:

- no-one can do or does everything
- no-one knows about all the opportunities
- partnering can make delivery simpler and more cost-effective

Organisations aspiring to be partners will be judged on their behaviour (trust and openness), size, resources and responsiveness – plus the type of engagement they are willing to enter into i.e. relationship vs contract-based. SMEs have characteristics that complement those of Aseriti: for example, they are highly-competitive and fleet-of-foot.

Although Aseriti does not yet have a formal qualification process for selecting a partner, judgements will be based on a number of criteria: responsiveness, awareness of business issues, ability to innovate to help Aseriti to differentiate its services, being flexible and simple to work with, acknowledging and accepting risk, ability to establish and maintain relationships – all these contributing to inspire confidence in the partner. A successful partner will understand its own core competences and what skills, value-add and differentiation it brings. It will be willing to work at a variety of different levels and types of relationship – strategic/technical/tactical, opportunistic, contract-based – depending on the nature of the business opportunity.

Aseriti helps its partners by providing access to: key skills for specific projects, a 24 x 7 support capability, assistance with managing the proposition and project delivery, a regional telecommunications network and strong buying power. It sees itself at the 'hub' of a partner network – not yet as an 'orchestrator', but within its chosen market very much moving in that direction.



The partnering imperative

Greg Duddy of Alcatel believes broadband is the major economy of opportunity for IT and telecoms vendors to co-operate. The true value of the massive, already installed broadband capacity will arise from a combination of voice, data and video services all accessible down the same pipe. In order to fully exploit this opportunity, companies on both sides of the “great divide” must be prepared to come together in a spirit of mutual understanding.

Alcatel sees the structure of the new ICT economy as growing ever more complex, with new intermediaries appearing on the interfaces between the various types of companies. Alcatel will continue with major spend on R&D in its own product lines, but is moving towards becoming a diversified systems integrator.

To operate successfully in this environment, it is fundamental that Alcatel partners in a new way. Traditionally it has been highly acquisitive, wanting to own and control everything. But that will no longer be possible, either for Alcatel or anyone else.

Alcatel has a very broad portfolio of products, services and generalised applications. Where it needs partners is in the delivery of customer- or situation-specific solutions – projects for which it really cannot make a business-case to allocate its own valuable resources.

What Alcatel looks for in a partner can be summarised in three key words: Knowledge, Contact, Service. Partners must be innovative and have a reliable product or service, have knowledge of the target market, and be able to work alongside a large organisation. They might also be a bridge to an opportunity i.e. they may have good access to a market or customer-base that Alcatel is not close to, but where the resources of a large telecoms supplier are required in order to fully address the business requirements. Alcatel also seeks evidence of some “business stability” in its partners.

There are opportunities for smaller IT vendors with bright ideas to approach Alcatel and explain how what they can offer will make a difference. What Greg is looking for is the vital spark, the innovation that will make the broadband market take off, what Greg described as “the spreadsheet of the future”.

Workshop exercise results

Attendees were randomly assigned to four groups and asked to discuss what they had heard and how it would influence their approach to partnering.

Each group identified the following:

What are the top 5 key activities that SMEs should be doing?

What are the 5 most important steps that SMEs should be taking?

The attendees then voted within their groups on which of the 5 activities/steps were most important.

Finding the right partners in the New Economy ...

What are the top 5 key activities that SMEs should be doing?

Understand your USPs	8
Identify your core competences, find your niche	8
Be clear about your capabilities and define customer needs	7
Improve marketing – develop a communications strategy, raise profile	7
Develop contacts in niche markets – networking	5
Build relationships with other suppliers in the market you operate in	4
Identify skills required by partners	3
Set partnering objectives, agree them and measure them	3
Develop a product/services portfolio suitable for a range of relevant partners	3
Develop 'partnership readiness' e.g. contracts etc	2
Adopt the orchestrator model when seeking suitable partners	2
Attend exhibitions/meetings where prospective partners are likely to be	1
Approach a partner broker company	1

Making your company “partnership ready” ...

What are the 5 most important steps that SMEs should be taking?

Improve understanding of your own markets and the end customer proposition	7
Be precise about what you bring to a relationship (your “uniqueness”) and how it would fit with a partner – e.g. develop a template Heads of Agreement/MoU	7
Determine what you want out of a partnership (your objectives) and define this clearly	6
Put in place a clear plan for next actions	6
Set a timeframe and framework for partnering, to achieve the vision of the business through goal setting and measurements	5
Invest in working with other organisations, learning how to work together	5
Build an infrastructure for delivery – people, ownership, sponsorship, decision-making – flexible and responsive	5
Obtain referrals from existing customers	3
Campaign for organisations like WMita to hold more partnering-focussed events	3
Improve communication with partners e.g. invest in a good CRM/PRM system	2
Exchange information with partners/prospective partners	2
Appoint an owner of relationships within the SME, a main contact	2

Summary

In order to be a successful player in the new ICT economy, companies need to develop an understanding throughout their organisations that things are going to be different. They need to educate senior managers about the dynamics and structure and start a debate about where the company wants to play, identifying what are the company's USPs, what competences the company will build and which ones it will 'outsource'.

To prepare well, every ICT business also needs to be identifying and vetting suitable partners and learning how to collaborate on activities, knowledge and competences. Companies need to be 'partnership ready' and able to respond quickly to opportunities. Internally you should be setting targets and managing the relationships that are already in place. Externally you need to communicate value to partners and customers.

Crucially, you must build the right skillsets and delivery mechanisms to support your chosen aims and objectives and organise so as to use these effectively.

And finally ... for continuing success you must work at motivating your partners and sustaining the relationships you already have.

Istaris Business Services works with high-technology businesses that are struggling to build effective sales channels. For more information type "partnerships and channels" into the Google search engine, or call Charles Stubbs on +44 7753 600481.