Silicon Valley
Chief Alliance Officer Roundtable 2009: Takeaways, Best Practices & Implications Notes & Summary

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Overview

The Silicon Valley chapter of the Association of Strategic Alliance Professionals (ASAP-SV) held their annual senior alliance executive meeting with a select group of Fortune 500 companies. Twenty-seven senior executives from nineteen of the largest Silicon Valley companies weighed in on key partnering topics relating to the downturn. This year's topic was, "Alliance Strategies for Challenging Economic Times."

"The companies represented today contribute $464 billion to the US economy. With a total combined market cap of $859 billion, these companies not only shape Silicon Valley's economy but also the world's high technology landscape," welcomed Jim Chow, President of ASAP-SV, and Senior Director of Alliances/Channels at LiveOps.

Erna Arnesen, Vice President, Global Services Channels & Alliances, and Steve Steinhilber, Vice President, Strategic Alliances of Cisco hosted this meeting. According to Steve, *"As we have seen in the last few months, markets can change overnight. Sharing ideas and best practices in meetings like this is vital to staying on top of today's fast-paced environment."*

Exponential Edge was invited to moderate this event. This white paper is a synopsis of the discussion between these executives. It includes current issues, trends, best practices, and implications.

The Takeaways and **Best Practices** sections that follow reflect what was directly mentioned by the group (not in priority order). **Implications** are Exponential Edge's interpretation of what the executives meant, or our assessment of key outcomes based on comments by the executives, and our expertise in working with F500 clients.

The Senior Executive Roundtable

This year's event was hosted by Cisco at their facility in San Jose, CA on Jan. 14, 2009. The meeting was an open roundtable format to foster dialogue about overcoming challenges faced by alliances and channels during the economic downturn and best practice sharing between executive participants.

Topic:

Alliance Strategies for Challenging Economic Times

Attendees:

Twenty-seven SVPs, VPs, & Sr. Directors that lead alliance and partner organizations at major corporations.

Companies Participating:

Adobe, BMC, Borland, Capgemini, Cisco, eBay/PayPal, Emerson Network Power, HP, IBM/Cognos, Intel, Intuit, LiveOps, LinkedIn, Microsoft, Oracle, Phoenix CG, SAP, Salesforce.com, Seagate/i365

Moderated By:

Adrian Ott, Exponential Edge

Executive Summary

Below are highlights of trends and best practices discussed by the executives during the Roundtable *(not in priority order):*

1. A Majority of the Executives View **Strategic Alliances as More Important in a Downturn,** but Several Challenges to Growth Impede Forward Progress.

2. **Alliance Investment Continues in the Downturn Driven by Disruptive Technologies** (e.g. Cloud Computing/SaaS) and New Market Opportunities.

3. The Downturn is Causing a Broad Re-Evaluation of Alliance Portfolios That **Is Changing How Partnerships are Valued and Resources are Allocated.**

4. Portfolio Evaluation Criteria Adapts as **New Partner Models Emerge.**

5. **New Partner Metrics Evolve Beyond Revenue** That are Practical and akin to "Forensic Accounting."[1]

6. **Communicating Partner Value** to Executives Remains a Key Priority in Light of Downsizing and Cost Reductions.

7. **Current Macro-Economic Shifts in Wealth Distribution** Will Impact Partnering.

[1] Term used by an alliance executive commenting on the close examination of partner contribution measures.

1. A Majority View Strategic Alliances as More Important in a Downturn, but Several Challenges to Growth Impede Forward Progress

55% of the alliance executives that attended stated that their companies view strategic alliances as "more important" to their company during these tough economic times, 35% see it remaining "at the same level," and 10% said strategic alliances are viewed as "less important" by their organizations.

The initial discussion focused on the top challenges affecting growth during the economic downturn.[2]

1) **Regaining momentum after cost containment (31%) "***Getting momentum back - it is being halted now due to cost cutting. A key challenge is overcoming headcount lockdown."*

2) **Overcoming confidence issues in taking business *risk (23%)*** *"We have a lack of confidence to invest. Fear is killing us, yet we need to re-engage our partnerships."*

3) **Balancing long term opportunities in a time of short-term fixation (23%)** *"How do we shorten time to revenue balanced with a long-term focus? How do we innovate for the long term?"*

4) **Focus on short-term revenue is distracting (19%)** *"Quarterly focus on revenue [e.g. chasing big deals] distracts from longer term partner goals and strategy"*

5) **Partner models must evolve in face of rapid change (15%)** "*Looking at the last 3 years, we need to come off the current models and change how we partner- to make sure we are competitive. We need to change the partner business models to fit the new realities [e.g. co-opetition, emerging global players]…The challenge is rapid redeployment of assets, keeping pace and ensuring alignment."*

6) **Disruptive economy with rapid shifting of global wealth and a new U.S. President (12%)** *"Where are the opportunities for the next leaders? Where can we place our bets?"*

[2] The percentages reflect the total number of mentions based on twenty-six attending executives. Some executive comments included multiple challenges therefore multiple mentions are included in this analysis.

7) **Co-opetition due to continued technology industry consolidation (8%)** *"We need to be more creative to understand the real potential and overcome these TRUST issues."*

Implications

Regaining momentum after cost containment is more acute and complex with alliances. Cutbacks not only affect one firm but affect partners as well resulting in mismatched resources. Assessing and re-aligning the patchwork of remaining resources on both sides from top to bottom becomes paramount to ensuring execution. "*We are not aligned on tradeoffs and investments. More synchronization is needed in difficult times than in growth times.*"

Sometimes garnering the intelligence as to what is perceived and real at the partner can be a challenge as some companies may not be completely transparent as to the availability of program dollars and headcount shared across multiple alliance partners. For example, a reduction in headcount might result in reallocating an alliance manager that was solely dedicated, to a headcount that now is shared across multiple partner relationships and programs. This is especially true in times when there is great uncertainty and the possibility of further cutbacks. If certain alliances do not continue to have critical mass on previously agreed-upon initiatives, then portfolio investments should be re-allocated to initiatives with critical mass and aligned priorities on both sides.

Most alliance executives embrace the challenges presented during these difficult economic times, without letting more limited access to cash, headcount, or changing market dynamics stand in the way of achieving business objectives. In fact, nearly thirty percent in attendance stated that it is during these stark economic times when it becomes ever more important to continue to invest in building stronger companies through alliances-- where they emerge more dominant, not just trying to survive.

Yet it is clear that these multiple challenges to growth require alliance executives to be ever more focused on their core competencies- knowing where and when to cut back while focused on the long-term business outcome. Alliance executives must also be creative and nimble to navigate a customer landscape that appears decimated in certain markets that were previously very lucrative such as financial services. Nimbleness in support of re-structured partner investments, shifting customer priorities, and short-term revenue associated with deals, is often at cross-purposes with investing for long-term growth during a downturn when fewer speculative investment dollars exist.

2. *Investment Continues in the Downturn, Driven by Disruptive Technologies (e.g. Cloud Computing/SaaS) and New Market Opportunities*

A consistent theme throughout the meeting was the importance of taking advantage of the downturn to invest in disruptive markets in order to build partner and customer loyalty. The stance of several alliance executives was to make bold moves that would result in capturing the leading market position while spending less energy in day-to-day cost-cutting battles.

Cloud Computing and specifically Software as a Service (SaaS)[3] were identified as market disrupters. All executives agreed that the tipping point for SaaS and changing role of the channel in light of disintermediation continues to alter the partner landscape. This topic was explored during last year's roundtable and is documented in the white paper for 2008. (*Please contact Exponential Edge if you are interested in a copy.)* This year, the alliance executives spoke about investments- both acquisition and program investments- in building new ecosystems around disruptive business models.

- *"We try to understand from a **partner development** perspective… what does Cloud Computing mean to you?"*

- *"SaaS is radically different; it is hard to transition partners to it so **enablement is crucial**. Restructuring and a pro-active business model is required to understand the total contract value. Generally, you look for a quick win and get in and out, but you also need to slow down and look at the business model and re-architect."*

- *"We are working on **identifying opportunities** e.g. acquisitions in virtualization. **We have certified partners** in both automation and control areas of virtualization. Before it was the whole area of virtualization, but now it is different segments so we have partners in the elite status by a particular area. It is also easier and faster with lower investment for partners to become elite status. In this way, we hope to **drive more business in the longer term**. This applies both to SaaS and virtualization."*

[3] The term Cloud Computing was referred to in the broader sense with SaaS being a component of it.

The importance of investing in alliance and channels to reach new markets was not limited to SaaS/ Cloud Computing. Several alliance executives highlighted vertical markets they wanted to enter, including retail.

- *"A number of us look at bad times as an enormous opportunity and time to invest in a longer-term play. We are investing a lot of cash during the downturn- how can we grow and what new business should we build? We are grateful that our senior executives are not asking for a bailout."*

- *"In non-traditional markets, you need to accelerate your market strategy through partnering and/or product modification. Partnering will enable you to diversify and enter new markets. You need to expand to lower your cost and to accelerate and to lower your risk of entry into these new markets."*

Implications:

Prioritizing and identifying which market segments to invest in and which to cut back on is top of mind for the alliance executives. What market segments will help lead the economy out of recession, what market segments will be the first to recover, and what market segments will experience major growth in the new era? Cash-rich companies will continue to snap up struggling cash-poor rivals to build out a broader market strategy or to enter a new one.

Partnering continues to provide a method to "test the waters" in an industry before diving in with an acquisition. Doing so in a downturn is a pragmatic approach to sustaining growth when funding is tight. Once market entry has achieved a measure of success, then more capital intensive investments such as expanding the alliance, building, or acquiring become justified

We can expect that the role and value of channel partners in new models such as SaaS will change as this model gains acceptance with customers. In some cases disintermediation will occur. In others, different services, enablement and compensation structures will emerge. Identifying the channel and alliance best practices of leading Cloud Computing/SaaS providers will provide guidance as to best practices and policies to pursue.

3. A Broad Re-Evaluation of Alliance Portfolios is Underway Changing How Partnerships are Valued and Resources are Allocated

Approximately two thirds of the alliance executives stated that their partner portfolios are currently undergoing re-evaluation in light of massive industry restructuring, tighter reins on spending, and increased revenue and contribution margin pressures.

Several executives point to the near-term pressures and their impact.

- **Financial pressures dictate partner priorities.** *"We focus on big revenue generation with a short-term horizon; what gets the needle moving- a half dozen of them. There is large deal distraction, so less is invested in partnerships… We also look at what acquisitions we need to make or certain market spaces we want to enter. There is no clear exit like there have been in the past. We need clear levers."*

- **Financial viability of a partner takes center stage in partner selection.** *"A lot more financial due diligence is necessary now. Customers are looking for partners that will be around that they can do direct business with. You need to service and support customers with viable solutions… Nortel just went Chapter 11, so there is lots of pressure to conduct a thorough alliance re-evaluation."*

- **Industry structural changes impact partner portfolio composition.** *"Shifts in landscape around industries- e.g. retail/publishing/financial services. How do you interact with them now? Go-to-Market (GTM) approaches and how you work with them all gets impacted. The technology model and business models are changing. Whom to acquire or partner with to ensure that you come out with a win?"*

- **Increased channel conflict with direct sales requires more partner transparency.** **"***We see more channel conflict, [e.g. because of fewer opportunities and industry restructuring that can muddy the boundaries between channels and direct sales] this requires the need for better measurement and metrics so we can understand what value each channel provides."*

Implications

Managing risk has become inherently much more complex for strategic alliances. Even with large company alliances, assessing financial stability and exposure to market shifts is more salient than ever. Not only have the range of risks from financial to structural become more difficult to model and plan for, but the rate at which these risks yielding significant upside or downside is increasing as well. As the economy continues to be unstable, alliance executives are taking this opportunity to re-assess the fundamentals including alliance objectives, and market strategies.

The increasing industry diversity of companies comprising alliance ecosystems also makes identifying these risks more complex as noted in last year's executive meeting. For example the IPTV ecosystem requires an understanding of multiple industries such as the:

a) Operators (e.g. British Telecom, Comcast, Set-Top Box Providers)
b) Computing Providers (e.g. Microsoft, Apple, Cisco, Intel)
c) Content Providers and Aggregators
d) Movie Studios (Fox, MGM, Paramount, Warner Bros.)
e) Digital Advertising (e.g. Google)

Whereas a single or closely related set of industries was only required in the past.

4. Portfolio Evaluation Criteria Adapts as New Partner Models Emerge

The alliance executives discussed best practices by which partner portfolios should be re-evaluated. The executives indicated that this is achieved by establishing criteria, providing methods in approaching the framework in vetting out investments and providing programs that support a long-term win-win partnership.

> As one executive stated, *"Our challenge is that we must focus on large deals and the value alliances bring and the role they play. Companies can't do it all…the reality is that you need to track this through performance management."*

Best Practices Mentioned:

The major themes that emerged include:

Develop a working partner portfolio model that reflects long-term priorities, but incorporates risk management for near-term objectives. One services company shared, *"Revenue and risk needs to be considered from a portfolio standpoint, like in financial portfolios. Similar to a Gartner Group type magic quadrant, there is Revenue (High/Low) and Risk (High/Low)."* And another added, *"The third axis that needs to be considered is what is the cost to getting the partnership?"* Yet caution was expressed by some executives to ensure that this type of model did not limit innovation.

"One Size Fits All" partner criteria don't work well: A multi-dimensional model is needed to take into account the company's overall goals and partner business model. *"All partners are different depending on segment and industry. We can't put one model together and then drill down. How do you segment the partners? What is the long term and short term in terms of investment- e.g. OEM, ISV, and Services. The question is how to get to the right tipping point? What is it going to take in terms of investment?"*

When re-evaluating partnerships, ask the tough questions and be honest. *We ask what industry/client success do we want to see? Do we have organic capabilities? As the customer and client changes, we may be forced to compete with ourselves. This forces honesty and opens up a series of new partnership formats… Are we losing our counterpart on the other side? What do I need to do so the partner doesn't get hit on the next round of layoffs? Where will it hurt if we lose resources? Ask 'How are you measured?' What kind of alignment is there at the partner business model, and executive levels?"*

Innovate and invest in the partner model with your key partners during the downturn. Be pro-active on planning for the downsides both from a business model as well as alliance teams. *Joint planning* becomes even more important, with the focus more on people, teams, and market strategy rather than limited to program dollar spend.

Specific examples of new partner models discussed include:

- ***"Precision-based joint ventures*** *like in the utilities industry efforts with a smart grid… with multi-lateral partnering with clients, with everyone delivering to their best capabilities."*

- *"**Talent-swapping**- e.g. Google with Procter & Gamble (P&G) as stated in the Wall Street Journal few months ago.*[4] *P&G recognizes that traditional consumer demographics and markets will converge and over 10 years will start to disappear. 5-7 years out, how should P&G advertise in a digital-based model? And Google wants a lifelong consumer goods-type relationship with society."* How can they learn from each other's competencies?

- *"We are doing all sorts of things with alliances to activate the long tail… You need to get leverage…. **Self-serve** is huge. Repeat/local online in off hours… Be responsive to **what generates partner loyalty**. Then when demand increases, you have a **community**. But you have to take advantage of the downtime, you have to invest… **For us, this is an opportunity to invest in an enabled community.**"*

Examples of best practices in how to invest in partnerships include:

- *Our partners have a business to run and we need to provide them new revenue and new business opportunities to get them active… therefore we need to get them enabled and so we have **boot camps**. This makes it easier to engage with them, lowers the cost for them, but increases our cost and investment. **With less time and lower costs, efficiency becomes important.***

[4] Wall Street Journal, "A New Odd Couple: Google, P&G Swap Workers to Spur Innovation", Ellen Byron, November 28, 2008.

- *We provide **partner business consulting** for free- we look at service and sales for a specific region with an **online audit**. We understand what is working well and then help more with our partner success. We have automated reports that tell us for each region how partners are performing with online audits on sales and service. This provides us with information to take tangible actions. A one-day [cookie cutter] course is really not enough, partners really don't care. We have reports that we use for joint planning that look at not only key performance indicators (KPIs), but **business health and partner development**."*

Implications

Multi-level strategic planning needs to occur with senior level management, through joint partnering, and broad market opportunity analysis. Creativity and innovation will be more important than ever, as the definition what a profitable market segment looks like undergoes transition.

With different types of partnering models emerging – such as talent swapping and activating long-tail communities– implies that different objectives and measures will be important to assessing the benefit of the alliance. Creating effective metrics will be especially challenging in light that some of these models may be difficult if not impossible to measure in terms of revenue or cost. For example, how do you measure the impact of talent swapping?

5. New Partner Metrics Evolve Beyond Revenue That Are Practical and Akin To "Forensic Accounting"[5]

For alliance executives, relating partner value to practical metrics has become of vital importance. Without relevant metrics, partners that once were viewed as having priority, fall off the radar. Worse yet, efforts spent on partnering can go wasted and resources diverted to other areas. One alliance executive of a fast growing software services company brought up the example of how "*contribution margin, not revenue"* became the deciding factor about whether to pursue a large blue-chip partnership.

There were a wide range of new partner metrics that were discussed.

Best Practices Mentioned:

Understand which partners deliver the most value. The importance of partner deal attribution was shared by many of the alliance executives, but a range of different tactics were used—from tagging deals to using incentives of uplifts and discounts, each having their own advantages and disadvantages.

> An example of **tagging deals**: *"We have 20,000 people in our sales force. One way to measure partner impact is to tag deals- kind of like an IRS approach, it takes discipline. We have a mandatory field in our CRM system for the sales representative to identify the partners, but cannot crosscheck, which is a top alliance challenge. Quality of measurement is half of the battle."*
>
> Other examples include:
>
> - "*We use **incentives**- e.g. we pay 1.25 (commission) with a partner, and .8 without…So you uplift sales reps that lift partners through incentives, but with uplifts, how do you tell if they are accurate?"*
> - *"We provide **discounts** to partners on accurate representation, on accuracy of forecasts. We measure forecast-to-close and conduct monthly forecast reviews, tracking commits versus close. We are looking for a 3-way tie."*

[5] Term used by an alliance executive commenting on the close examination of partner contribution measures.

- *"We have partner registration which 75% of our partners participate in. There are flags we set- e.g. surveys in our partner program. We incent customers to complete the surveys so we can measure a **partner satisfaction score** which we expose to the sales force and customer. It is more closed loop than ever where we measure deal through project implementation."*

New metrics are being utilized and tested that reflect partner value in context of the changing sales landscape.

- "*We measure alliance business managers on **contribution to gross margin, not revenue**. This is a different way to measure alliances. It requires a fundamental change. We are piloting this with a few alliances. It is more complicated to measure contribution- relatively easier for direct sales force, but harder for partners. Here we are at odds with the rest of the sales force. We need to stay in tune with what the company is measuring [contribution margin]… this will take several months, but we need to stay in the game on internal compensation. We need to be open and honest with alliance partners. This is an evolution, not a revolution. It changes which deals to go after."*

- *"We are seeing partner leads having a **higher close rate** than sales leads. So headcount is shifting to partnerships. We are seeing this a great deal."*

Choose criteria that guide for the long term, such as market share. One technology company shared their plan.

> *"We have an **outcome view**- e.g. who has the highest share of partner revenue now and who will emerge next? Is it 40%, 20%, or 10%? Where do you place your bets? Who do you not partner with? We focus on market share and share of business with partners, not revenue-- this is very strategic. If we do well in choosing, we will be very well positioned with a very high trajectory, but it takes 3-4 quarters to see…"*

Implications

Clear measurement of partner contribution is always critical. However, this can be particularly difficult to execute in a downturn. Dwindling headcount and program resources need to be focused on actively generating revenue and results rather than chasing and measuring closed deals. Yet tracking the direct value of partner contributions remains a key asset, so developing the right mix of near-term and longer-term metrics is required.

Statistical sampling of alliance wins offers an alternative method to census-based approaches. Similar to market research, this method is based on representative sampling rather than polling an entire population of deals. Similar other measurement methods, pros and cons exist. A benefit is that it ensures representation across the sales mix instead of imperfect reporting that can occur under a census-based approach. For example if certain regions report and others do not, or only certain partners are reported in a large deal because those are the only system codes a sales representative remembers (or bothers) to enter so they can get compensated. Achieving near-perfect census measures can also be time-consuming and expensive in terms of opportunity cost and sales training. On the con side, some organizations may not buy into a statistical sampling approach and it might not be seen as credible when faced with scrutiny by stakeholders accustomed to census-based approaches. No matter the approach - census-based or statistical sampling - the organization must view it as a credible measure and be willing to alter behavior according to the results.

Augmenting with a "*forensic accounting*" deep-dive approach of a few randomly select deals that profiles partner contributions helps to identify where each partner contributes to deals and may suggest improvements in the go-to-market approach or structure of the relationship.

The ability to measure results and make proactive changes nimbly based on up-to-date information is clearly needed in the face of dynamic change. For some partnering models identifying current contribution to revenue or margin is important, however for others, especially those that may alter a strategic landscape, such as talent swapping or entering a new market, models need to allow for measuring longer-term strategic outcomes. To quote a sign that hung in Albert Einstein's office,

> *"Not everything that can be counted counts and not everything that counts can be counted."*

But it will not be easy to incorporate these new metrics as stated by the alliance executives who have tried. The most difficult hurdle is changing the mindset and behavior of employees, partners, and senior management to embrace these performance indicators. For example, if a CEO has a favorite colleague at a partner and has given them a preferential status, but the partner company fails to meet the metrics expected from the partnership. Companies should start small with a specific pilot segment and then to expand as success is achieved and pitfalls are understood.

6. Communicating Partner Value to Executives Remains a Key Priority in Light of Downsizing and Cost Reductions

During a downturn, senior executives pay particular attention to paring back expenses and investments. Several alliance executives re-iterated the importance of communication to the CEO level office as to how partners fit into the overall strategy and add value to the entire corporation.

Best Practices Mentioned:

Articulate achievements. *"Share wins loudly. Walk the talk and explain."*

> *"We have an **Ambassador program** to communicate the value of the partner portfolio where we target 50 business unit executives. We figure out how to align, communicate value, how the alliance impacts the business, what they should care about. This program is about **pro-active outreach**. There is a named person for each [internal] executive, so a 1:1 relationship. Our reporting also allows for transparency and for visibility into the frequency of partnering."*

Share insights broadly. *"Have your Chief Alliance Officer write a book"* [e.g. Steven Steinhilber recently wrote a book *Strategic Alliances: Three Ways to Make Them Work (HBS Press, 2008]…*or an industry article or presentation that peers will see.

Build partnering into the process.

- *"For our biggest deals, we have not only **reports**, but also **alignment** with sales leadership. We have no disincentive not to report partner value… we do not employ a carve out for the sales force. We conduct **deal reviews** with the senior VP questioning which partner and if no partner, then ask why not?"*

- *"We have a **benchmarking deck** where we ask how much are we leaving on the table and how many people we have. We conduct peer reviews, graphical benchmarking. We have an ROI model where we look at our headcount for initiatives versus a partner focus."* The alliance executive also manages corporate strategy and corporate development, so these multiple functions are under a single chain of management.

Demonstrate the value of alliances as a discipline to the rest of the organization. One executive shared how his team was applying their negotiating skills to reducing cost in the supplier management group to help the overall corporation during difficult times.

> *"We are calling in our alliances to re-evaluate and re-negotiate cost-based contracts. This is not strategic, but it is valuable to re-evaluate our inbound vendor relationships. We can point to people on our team that reduced costs 50x their salary. It is hard to justify laying off someone with those kinds of results."*

Implications:

While effective measures and processes are important to communicating partner value to the CEO and other senior executives, the challenge remains how to ensure that strategic alliances remains **top of mind** to the senior executives, board members, and shareholders during these tough times.

Strategic alliances are moving beyond a role as revenue enhancers to acting as market enablers that help companies to penetrate new markets more cost effectively and with lower risk than other alternatives. They often serve as integral pieces of the total offering to customers because diversified ecosystems makes it difficult for any company to go it alone.

To achieve top of mind visibility, alliance executives need to align partner value on multiple levels-- for example with must win, high visibility sales deals or as a broad platform play that leads to a number one market position in a multi-billion dollar market. The value of the alliances organization will mean different things to different stakeholders in the corporation.

7. Current Macro-Economic Shifts in Wealth Distribution Will Impact Partnering

Fundamental questions of what the world will look like in the next 3 to 5 years were raised by a few senior alliance executives.

> *"There is a **fundamental economic shift happening**. Over the next 3 -5 years I expect to see leadership from emerging markets with different technologies and different players [including different cultural mindsets and norms to business] that we are not accustomed to (e.g. Dubai, Bangalore). China passed Germany in GDP recently. There will be the long-term shift of wealth. The globalization aspect will have significant economic and political implications."*
>
> *"What does this mean to the partner landscape? What other **macro-disrupters** are there? How should we be looking at this?"*

Most alliance executives agreed with these questions as they reflected on the impact to their companies. The role of alliances and channels is vital in these scenarios, but ensuring accountability across borders will prove more difficult than ever. Several of the companies in attendance already source a significant percentage (>40%) of their business outside of the U.S., but the bigger question was whether the traditional center of control would shift outside the boundaries of Silicon Valley for technology companies and what impact would this have, if any, on revenue and profitability.

A recent book was described that discusses how the U.S. is not doing poorly. It is just that other countries are doing better.[6]

Another area of discussion was how the policies of the new U.S. President will impact wealth distribution in the U.S.

Implications:

Alliance executives need to keep vigilant on these macro-economic changes, and shape them where possible-- by staying ahead of the globalization shift through multi-lateral alliance relationships and considering their role in providing next generation infrastructure in areas including clean technology and the information-enabled healthcare system.

[6] *The Post American World,* Fareed Zakaria, W.W. Norton & Co, April 2008.

New market opportunities abound, but competition is very stiff in these emerging IT sophisticated markets. For example the Wall Street Journal stated recently that Oracle's main competition is actually far more diffuse than either Microsoft or SAP.

> *"It's the thousands of small software makers, from Silicon Valley to southern India, cranking out individual products. In addition, many businesses develop their own proprietary, in-house software. Collectively, these systems constitute the majority of business software in use, says Mr. Ray Wang of Forrester."*[7]

To address these demands, a number of high-tech companies are investing heavily in partner infrastructure to support emerging countries such as China. They are recognizing that the existing mix of partners are not sufficient to achieve critical mass in such markets and these markets need a partner ecosystem as robust as western nations.

For many companies, anticipating the impacts of these shifts and aligning with these realities will be important to serving new markets effectively. For example if the banking and auto industries become more controlled by the U.S. government, what impact will that have on their IT suppliers? Will the process take on more GSA-like contract qualifications? What type of value chain will be effective in those circumstances? What industries will dominate and decline if wealth is shifted to different consumer classes and incentives? (e.g. luxury goods decline while "small" and sustainable increase). Do companies have the right set of partners to address these shifts?

[7] Wall Street Journal, "Cash Rich Oracle Scoops Up Bargains in a Recession Spree," Ben Worthen, Feb 17, 2009.

Conclusion

Times have never been more challenging. With nearly every major industry facing severe industry restructuring, several multi-billion dollar market opportunities (e.g. SaaS, cloud computing, mobile computing, clean technology) all within reaching distance, and the tenuous struggle between investment and cost management, alliance executives have more to manage than ever before. The leading companies pursue a vision that is clear and convincing – that to survive is to innovate, and to innovate is to embrace change through market-based action and customer learning.

As best summarized by Erna Arnesen,

> *"What struck me about today's meeting is the high degree of openness and honesty about alliances. What we are seeing right now in this time of economic crisis is a more engaged and frank dialogue across the alliances community. There is a more consistent review of alliances than in recent years…this will put all of us in a unique position to increase our focus on joint revenue, contribution, and investment returns."*

Post-Meeting Notes

The following examples occurred after this roundtable; they demonstrate strong commitment to the future of innovation and the fortitude of such companies to invest during a downturn:

- Oracle senior management has seized the opportunity. *"While most American corporations pinch pennies, Oracle Corp. is quietly going on a shopping spree. The software giant completed 10 acquisitions in the past year…the company hopes tiny products like these can help persuade companies to buy big-ticket business-management packages later."*[8] These acquisitions will help enable Oracle to enter specific industries- e.g. insurance, retail, and social services agencies where they have traditionally not have as much presence.

- *Intel Corp. disclosed plans to spend $7 billion to upgrade manufacturing technology at its U.S. factories over the next two years, calling on other companies to follow its strategy of investing during the downturn. The big chipmaker said it has never spent more to adopt a new production process… The latest investments are targeted at the introduction of 32-nanometer technology, a shift that Mr. Otellini said is crucial to Intel's plans to move into new markets. 'This is a watershed technology for us,' he said.*[9]

[8] Ibid
[9] Wall Street Journal, "Intel to Spend Heavily on U.S. Plants, Calls on others to Invest," Don Clark, February 11, 2009.

About Exponential Edge Inc.

Adrian Ott, is CEO and Ping Hao is VP of Exponential Edge Inc. www.exponentialedge.com, a strategy and go-to-market consulting firm headquartered in Palo Alto, CA. Adrian frequently facilitates executive strategy and joint planning meetings and holds a Certificate of Achievement in Alliance Management (CA-AM). Ping has over fifteen years of executive experience in alliances, sales, marketing, and engineering. Both Adrian and Ping hold MBAs from Harvard Business School.

Adrian and Ping help global corporations to identify and capture market opportunity. They specialize in providing services that create traction and growth with partners and customers. They can be reached at info@exponentialedge.com

About ASAP-Silicon Valley

The Association of Strategic Alliance Professionals (ASAP) is the leading global professional association dedicated to strategic alliance formation and practice. With over 2,000 members globally and 12 chapters in 7 countries, the organization provides a forum to exchange alliance best practices, resources, and opportunities that drive corporate performance. The Silicon Valley/Northern California chapter is the largest and most active with 400 members and an overall community of 1,200 professionals. For more information, visit www.strategic-alliances.org