Innovative Approaches to Transformation: Open for Business — A Partner-to-Partner Collaboration Initiative

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IN THIS PARTNER SPOTLIGHT

The IT industry is a young industry, and one that has already grappled with some pretty major transformations. These include the transition from mainframe to client/server, the introduction of the Internet, and now the rapid acceleration of new and innovative technologies such as cloud, mobile, and Big Data being brought to market by companies with agile and highly disruptive business models, fundamentally changing the way customers procure, consume, and view technology. IDC describes this transformation as the transition to the 3rd Platform, and we are essentially describing the next approach to computing.

The 3rd Platform will be the foundational platform for digital transformation across every industry over the next few years and this is forcing all participants in the industry – manufacturers, vendors, consultants, service providers, channels, and IT buyers – to rethink their positions, portfolios, business models, and go-to-market strategies in order to remain relevant and competitive.

Because 3rd Platform technologies enable digital transformation, their value is intrinsically linked to business outcomes leading to a shift in buying preferences. Customers are increasingly moving away from part-purchasing to following a more holistic approach, wanting their IT partners to not only guide them but to co-innovate and provide them with complete solutions. Ultimately, they need their IT providers to be true partners during this transformational process.

This combination of changing customer needs and rapid technological transformation is shaking up the IT ecosystem, forcing tactical and strategic decision making to ensure future viability and competitiveness. IT providers will need to augment their existing capabilities and skills in order to offer their clients the kind of innovative solutions they want, underpinned by well-defined architecture, design, consulting, implementation, and support capabilities. While this typically involves upskilling and portfolio expansion, forward-thinking partners are looking outward rather than inward, seeking ways to collaborate and partner, rather than trying to build it all themselves.

By first identifying the gaps and then identifying companies that have mastery in that gap, there is potential for two or more partners to collaborate and jointly go to market with a more holistic solution. Partner-to-partner (P2P) collaboration is the term that describes these kinds of alliances between two or more IT providers, and while the strategy is not new to the industry, it is one that is growing in importance given the current pace of industry transformation. Partners need to move from a "do it ourselves" mentality to being open to forming alliances with other partners to deliver complete solutions to the customer and be able to engage with customers in a more consultative rather than transactional manner.

In this IDC Partner Spotlight, we talk about how 3rd Platform transformation is impacting customer buying preferences and will showcase an example of a collaborative P2P initiative between three Red Hat Premier Partners that have set up an innovative alliance designed to support the customer need for more consultative, solution-driven IT partners.

FROM "DO IT OURSELVES" TO PARTNER COLLABORATION

Becoming a solution provider is no mean feat. A true end-to-end solution spans multiple technologies and ultimately is designed to achieve a broader business objective. Any IT provider trying to build solutions designed to meet a specific business objective needs to have sufficient depth of understanding of the client's business to be able to consult and architect a solution that meets that objective. It also needs sufficiently deep technical skills and specialist knowledge to actually design, deliver, and service that solution. In practice, this means that an IT provider offering an "end-to-end solution" would need to have a business understanding, a breadth of specialist skills across infrastructure, applications, data integration, security, and services, and would require technical certification across multiple technologies. Further complicating this process is the reality that the vast majority of solution implementations would need to be integrated into a client's existing, often legacy, IT environment.

Given this complexity, it is becoming increasingly difficult to be "all things to all people." While some may follow an acquisitive strategy to bridge these gaps, for most IT partners this is unfeasible. It is often more advantageous to forge partnerships with other companies rather than trying to do it alone or acquiring for capability.

BUILDING A SUSTAINABLE PARTNER-TO-PARTNER COLLABORATION INITIATIVE

Pursuing a partnering strategy is not a new concept, but these kinds of partnerships have historically been reactive and ad hoc, driven out of a response to a specific opportunity, to meet a requirement as specified in an RFP (request for proposal), and/or to provide support in a geography where the provider does not have presence. These kinds of ad hoc partnerships may develop into something more strategic over time, but tend to start out and end as one-off reactive relationships rather than long-term strategic alliances.

To build a sustainable alliance and really benefit from the advantages that partnering can offer, a more structured approach is advisable. IDC has identified six stages of a typical partnering process: partner identification, agreement (signing a memorandum of understanding and/or partnership agreement), business planning, technical and sales enablement, go to market (sales and marketing), and management. When entering into a partnership, each stage needs to be addressed with forethought, planning, and alignment between all parties:

- **Partner identification.** One of the most critical aspects is obviously finding the right partners. IDC recommends that each partner starts internally by performing a detailed gap analysis on its own capabilities to more clearly define partnering requirements. Once there is a clearer idea of the kinds of capability gaps that exist, leverage peer, customer, and vendor networks to find partners that meet those requirements. This should not be limited to technical capabilities but should also look at the culture of the organizations and potential competitive overlaps.

- **Agreements.** As discussions between two parties start moving from conception to agreement, contractual obligations and expectations should be articulated, defined, and agreed to. It is also important to ensure that there is sufficient executive sponsorship for the partnership within all parties, and that there is a clearly defined communication channel

as well as escalation process. IDC recommends structuring an alliance framework to the partnership and linking this framework to the terms of the agreement.

- **Business planning.** Even with the best intentions, this is an area that is often neglected in partner-to-partner initiatives. To be sustainable and successful, regular business planning is necessary, from inception, joint-account planning, goal and target setting, strategy setting, and campaign planning. Regular and structured planning sessions between partners are critical to ensure the momentum of the partnership. Spend time defining the value proposition and market messaging of the partnership at the outset, with further refinement recommended as the partnership gathers momentum. This sets the baseline for all the activities that follow and should be very carefully considered, validated, and tested for market acceptance.

- **Technical and sales enablement.** Another critical component to building a sustainable partnership between two channel partners is ensuring the sales and technical teams of all parties clearly understand the value proposition of the partnership and are sufficiently trained to be able to sell it. That they clearly understand the benefits and that the technical teams are aligned and enabled to deliver and support on any solutions that are jointly brought to market, IDC recommends structuring formal and regular training sessions to keep awareness high and ensure consistency in messaging and delivery.

- **Go to market.** As with any product launch, a joint go-to-market campaign should be developed to drive awareness of the alliance, drive lead generation, and ensure consistency in messaging between each partner's sales and marketing teams. Where a joint technical solution has been developed, investing in facilities to showcase the solution is recommended. This is particularly important when developing a 3rd Platform solution, and where the business case is not necessarily proven nor the technology fully understood by potential customers, having a demo facility or center of excellence can be a very effective go-to-market tool in this kind of environment.

- **Partner management.** Assigning partner champions or alliance managers within each partner company is a recommended strategy to ensure smoother coordination, communication, and sustainability of the partnership. Depending on the scale of the partnerships, these individuals can also function as product managers, acting as internal evangelists and single point of contact for all partnership-related queries and activities.

Using this six-step partnering process as a framework and strategy can help potential partners stay on track and build a more successful alliance. In the following section we showcase one such successful partnership and talk through some of the activities it has initiated through the six-step process.

OPEN FOR BUSINESS: SHOWCASING AN INNOVATIVE PARTNER-TO-PARTNER COLLABORATION INITIATIVE

Open for Business is a business initiative formed by three Premier Red Hat Partners: Softcat plc, LinuxIT, and Tier 2 Consulting.

Softcat plc

Softcat plc is a U.K.-based broad-market value-added reseller and IT solution provider which generated over £596 million in revenues in 2015. It has a portfolio of offerings including software licensing, client computing, datacenter infrastructure, networking and security, as well as design, implementation, and support and management services. It supports both traditional (on-premises) and cloud environments.

LinuxIT

LinuxIT, a Claranet Group company, specializes in progressive Linux solutions and deployment of associated best practice systems management technologies. It provides a comprehensive portfolio of managed and professional services for life cycle of Linux, centered on open source technologies generally, and, specifically, open source cloud architecture.

Tier 2 Consulting

Tier 2 Consulting is a specialist U.K. middleware solutions provider offering a portfolio of middleware consulting, agile web development, and business solutions centered on Red Hat's JBoss technology offerings.

"This is a business initiative which joins together three big channel partners within the Red Hat partner community. We are each good at what we do, but combined together as a collaboration, which is everything that open source is about, allows us to deliver a much more comprehensive offering. We're all partners of Red Hat but in non-competitive areas. The Red Hat partner ecosystem creates a complementary structure which engenders us working together."

Lance Williams, Softcat

BACKGROUND TO OPEN FOR BUSINESS

The partnership was borne out of discussions when the three partners met at a Red Hat executive study tour held in Boston in 2014. The potential to enter into a partnership was initiated by Softcat, which was looking at ways to grow its open source business in response to increased demand for open source solutions from its clients. Once the idea was floated, all three parties recognized that through establishing an alliance-driven partnership they could each, individually and collaboratively, strengthen their open source offerings and more effectively support the needs of their customers.

Another factor which encouraged the partnership was that each party recognized that customers had become more mature in terms of their purchasing processes and were more receptive to the idea of a solution designed and delivered by a partnership, rather than a single entity. Customers have matured to the point where they appreciate a more consultative-led sales approach. This customer maturity has made partnering with partners a more viable and successful strategy to pursue as customers are more receptive to it.

Each of the partners brings to the initiative a core set of skills, both technical and commercial, but the collaboration and combination of these skills enables them to offer their clients a much more comprehensive open source offering than they would be able to independently. Each party has a unique value proposition that it brings to the partnership:

- **Softcat plc:** Softcat is well regarded for its innovative, proactive, and large sales force consisting of over 500 people, and a very strong customer service ethos. This extends to an exceptionally wide customer base, claiming more than 11,400 customers. It is a financially stable company, with a long history in the U.K. and a broad portfolio of offerings.
- **LinuxIT:** Has deep, consulting, and specialist open source professional services. It also has established thought leadership, best-practice frameworks, and innovative solution practices (including DevOps and Cloud) to further enhance the value proposition to clients.
- **Tier 2 Consulting:** Specialist commercial and technical skills in the high-growth open source middleware market.

Through partnership with Softcat, LinuxIT and Tier 2 Consulting have essentially created an extended sales force, deeper marketing capabilities, and access to a much broader set of customers – customers that already have a strong existing relationship with Softcat. In turn, Softcat is able to leverage the deep, specialist skills that both Tier 2 and LinuxIT bring to the partnership. Softcat is able to deliver narrow and deep consulting capabilities through both LinuxIT and Tier 2, which in turn are getting exposure and business from Softcat's extensive client base that they would have struggled to secure on their own.

Customers benefit by being able to procure a more holistic open source solution from one provider with which they already have an established and trusted relationship. Secondly, they are able to access deeper, specialist consulting skills through the alliance partners. Finally, they are able to retain a single contract, and get the security

"There is a common denominator here which is skill sets and the shift, if you like, into consultative selling, predicated on skills which you just can't fudge. There is a level of understanding between infrastructure and middleware, so that there is a holistic capability to understand their [customers'] business challenge, and shape solutions, cross-refer intelligence, and develop the way forward for a client from one single entry point. And that is absolutely at the heart of the Red Hat partner program."

Lance Williams, Softcat

of having "one throat to choke" should issues arise. The approach to the partnership has been well structured and designed with a sustainable business model in place, with a number of initiatives already in place across the six stages of the partnering process:

- **Partner identification.** All three partners enjoy Premier Partner status with Red Hat, but with little overlap in terms of competitive offerings and potential sales conflicts.

- **Agreements.** The partnership is underpinned by a mutual NDA agreement between all three partners which has set clear guidelines in terms of sales and customer engagement. Additionally, the commercial terms were negotiated at the outset, making it easier for Softcat's sales people to sell without the need to renegotiate pricing at every opportunity.

- **Business planning.** As a partnership, they have been able engage with a number of high-profile, strategic, solution-driven projects with their clients that individually they wouldn't have been able to participate in. All three partners see it as a mutually rewarding relationship that has generated a number of sales and marketing initiatives, content, and collateral.

- **Technical and sales enablement.** In April 2015, a series of five training sessions was run across four of Softcat's regional offices. This was supported by an internal marketing campaign and launch event. A SharePoint resource has been set up which includes a full library of white papers, sales play books, and other technical and sales enablement collateral.

- **Go to market.** A number of structured go-to-market initiatives have been launched since the partnership was established. Softcat had already established a list of customer prospects interested in open source. Using this customer base as a foundation, it was able to put forward a proposition to offer a very comprehensive open source offering – from consulting, to licenses, to professional services.

- **Partner management.** All three partners have executive sponsorship and support for the initiative, have established evangelists for the alliance within each company, and have actively embarked on a knowledge-sharing program to ensure that the momentum continues. It also enjoys support from Red Hat's partner management and channel marketing executives who facilitate and support the initiative as required.

RED HAT'S ROLE IN THE OPEN FOR BUSINESS PARTNERSHIP

The open source ecosystem has always had a community element at its core and as such Red Hat has always actively encouraged partners to collaborate. It does this through communities, events, and through its channel management practices. Open for Business, however, is not a Red Hat initiative. While Red Hat helped to facilitate some of the initial discussions, the three partners really brought it to fruition and put in the legwork of getting the partnership off the ground. Red Hat's role has been adding a supportive element rather than managing the initiative.

The initiative has enjoyed support from both Red Hat's channel partner managers and its channel and partner leadership. This support has been further endorsed by Red Hat entering Open for Business into its "Software Vendor of the Year" competition as a showcase of a successful partner-led collaboration initiative.

Red Hat attributes the success of Open for Business to the fact that the relationship is very open and highly collaborative, what it terms a "partnering of partners" that recognize the benefit of combining their strengths, their sales strategies, skills, and capabilities to go to market. In turn, the Open for Business partners credit this openness to the way Red Hat's partner ecosystem is structured – believing it creates a complementary structure that encourages collaboration between different partners. Had they been competing directly, it's unlikely that they would share the same degree of openness and joint strategic planning, but by creating a collaborative ecosystem, Red Hat has ensured that smaller, specialized partners are able to work together and compete more effectively against much larger IT providers.

> *"Red Hat has never been slow in putting partners together and I think that's almost unique in the software reselling market. The Open for Business Initiative is a mutually rewarding relationship. Lots of sales and marketing initiatives, lots of joint ventures, there's lots of great content, lots of great sales and marketing support material. It just works, it's refreshingly open and the end result is a seamless journey for a happy client."*
>
> *Chris Ellis, Tier 2*

CHALLENGES FOR THE OPEN FOR BUSINESS INITIATIVE

IDC believes that the combination of specialist and consultative skills that Tier 2 Consulting and LinuxIT offer – together with the strong customer-service orientation, broad portfolio, financial stability, regional presence, and commercial capabilities that Softcat brings to market – is a compelling proposition. By being able to offer customers consulting, professional services, and a holistic open source portfolio, the partnership is now able to more effectively provide potential customers with an open source alternative to proprietary IT solutions. A key challenge for Open for Business will, however, lie in clearly defining the value proposition in terms that can be easily understood by both external customers and the partner's own sales teams, and ensuring that this value proposition talks to the business objectives that clients are trying to achieve.

Customers are more willing to experiment, to see what is possible, and to try to innovate in order to differentiate. This partnership will need to propose solutions that not only enable experimentation but are agile and flexible enough to respond to changing business needs. While case studies remain important, many are questioning not what has been done already but what could be possible. Proof-of-concept is becoming a key part of the IT decision-making process and customers want their IT providers to create the kind of environments where experimentation and joint innovation between provider and customer is enabled and encouraged. Being able to

showcase the potential application of the open source solutions in a manner that appeals to customers' broader digital transformation objectives and showcasing the potential through proof-of-concept and demo facilities will be key to this process.

These kinds of transformational projects do require consultative selling and typically require much longer sales cycles, while the delivery of these solutions is often a process of trial and error, which is very different to the transactional sales model of the past. This will require a cultural change that will take time and effort to sustain. Ensuring sustainability of the partnership will take long-term commitment. IDC believes that the foundation and market potential is in place, and that it is up to all three partners to ensure that the initiative enjoys sustained focus and commitment.

ESSENTIAL GUIDANCE

By 2020, IDC is forecasting that at least 90% of the IT industry's growth will be driven by 3rd Platform technologies and an explosion of new solutions built on the new platform. IT providers have to quickly skill up and build capabilities in these technologies. Failure to do so will leave them competing for market share in a flat or declining 2nd Platform market.

But the impact will not only lie in the types of technology offered. The demand for solutions will force cultural change and transformation in the IT ecosystem too, and IDC predicts that, by 2020, 30% of the IT vendors will not exist as we know them today. Partners that are unable to make the transition from IT provider to IT solution provider will struggle to remain relevant in the 3rd Platform solution-driven world.

Developing a solution orientation through P2P collaboration initiatives, such as the Open for Business initiative, is an ideal means to provide customers with both the depth and breadth of skills and capabilities they require to effectively leverage technology to drive their own digital transformation.

IDC believes that the Open for Business initiative is ahead of the curve in terms of channel transformation and, if momentum is sustained, has the potential to provide a very appealing value proposition to existing and potential new customers. All three companies have a strong opportunity to use this initiative as a foundation for building a solution culture within their organizations; it also provides a real opportunity to co-innovate with clients, help them achieve their business objectives, and place all three partners in a strong position to take advantage of the massive growth predicted from 3rd Platform solutions.

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