

VENDOR PROFILE

The Cisco New Alliances Team: Harnessing Complex Alliances to Maximize Opportunity

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IDC OPINION

Many technology firms grapple with the question, how do I best manage my largest and most complex alliances? Over the past five years Cisco has built a new alliances team to respond promptly to market challenges. Cisco's new alliances initiative represents a very conscious effort to focus the company's alliance investment on areas of greatest long-term benefit. By focusing on the potential alliance partners that represent new opportunity either within a specific geography, by technology/market type, or across business units, the team can quickly assess and respond to complex scenarios. Some salient findings within this profile include:

- Strategic alliances need continuous monitoring to ensure C-level involvement and market relevance.
- Although speed is important, incubation periods should extend until value is proven. Cisco will work over time with well-branded companies, but an alliance will not be operationalized until Cisco is certain that the value has been unlocked for both parties.
- Cisco has made it clear to IDC that the new alliances team is driven more by the need to embrace innovation than by specific revenue requirements.
- Cisco should provide continued evangelism of the business impact threshold for complex alliances, to sell non-Cisco executives who may view this as a business impediment. The new alliances team should also assume an enhanced role in postincubation internal communication, to predict and address potential transitional issues.
- The company should examine low-touch approaches to transfer appropriate practices to noncomplex alliances. Such practices might make individual business units more efficient and productive.

IN THIS VENDOR PROFILE

This IDC Vendor Profile offers a historical overview of the new alliances team within the Cisco Strategic Alliances organization, outlines the team objectives, and provides the process for company selection. Within this, IDC examines the reasons Cisco might not partner, as well as the relevance of governance, solutions development/joint initiatives,

market satisfaction, and revenue. Wild-card scenarios — those companies with specific technological, vertical, or regional capabilities — are also included.

Alliance organizations in large companies often grapple with the need to effectively manage complex alliances — those spanning technology development, go-to-market and other activities across multiple geographies, product areas, or industries. How can alliance organizations effectively align the needs of multiple constituents to drive alignment without losing the efficacy of grass-roots initiatives? Cisco's new alliances team was initiated to address this specific challenge.

The assessment process, including Cisco's rapid Red, Yellow, Green methodology are also examined. Throughout this profile it is understood that the new alliances team is focused on three important criteria for determining the possibility of a strategic alliance: geographic expansion, capabilities that cross business units, and technological/market innovation.

The profile concludes with two Cisco alliance case studies: one of Intel and one of Fujitsu. Intel is an example of a named alliance in which Cisco is trying to determine the right time to shift into a more operational phase. In the Intel example we also see how Cisco identified and drove the execution of its strategic alliance across business units, thus enhancing its security and wireless markets presence. The Fujitsu example reveals some of the branding challenges that occur in some foreign markets, as well as the usefulness of building an alliance to face an imminent challenge, in this case the establishment of a competitive joint venture.

SITUATION OVERVIEW

Company Overview

Approximately 10 years ago Cisco launched its Strategic Alliances organization, and five years ago, within the Strategic Alliances function, it formed a dedicated new alliances team. This team was built to examine market opportunities and determine how Cisco can drive business in these areas through new relationships. The intention five years ago was to facilitate the alliances organization's ability to be nimble in proactively addressing specific markets, whether those markets are defined primarily by geography or technology. The company wanted to drive solutions to market-changing events.

When the initiative was launched in 2001, the market was in upheaval. The Internet bubble had burst and Cisco had to adjust. The company could not be all things to all people — it needed to be more focused because of resource constraints. Opportunity costs, and the return on those costs, had to be assessed. Cisco needed to prioritize relationships that could prove most beneficial to the company based on its market strategy.

The context for the development of the new alliances team, then, was one of a need for greater focus. Historically Cisco had been adding many people each month to its alliances organization. The next alliance could always be chosen for the simple

reason that there were always resources available. Then the bubble burst, and Cisco had to face more stringent internal justifications.

The trigger for initiating development of the new alliances team started with Cisco's president and CEO, John Chambers. Chambers has always been a partner advocate, and he wanted to make certain that the company stayed focused on this area. Chambers understood that the third component of the "build, buy, partner" model had to stay strong. As a result, partners were to remain central to growth, and although resources were being cut, alliances were not to be deemphasized. On the contrary, the company was encouraged to seek new opportunities and to take some risks — to do things that were not being attempted in the industry.

Company Strategy

The new alliances group's objective was to keep Cisco ahead by embracing innovation. Overall objectives tended not to be about traditional ideas of high-quality partners, as these often result in unbridled relationships that waste both time and money. The marquee names change; as a result, to this day all of Cisco's strategic alliances go through reviews and checks at both the individual alliance level and the portfolio level.

Five years ago resource constraints meant that Cisco, in seeking out its strategic alliance objectives, had to be very focused on those relationships that went across multiple business units or geographies and that represented new technologies and markets. These relationships are analyzed as follows:

- ☒ **Business unit.** Relationships inside one business may be very important, but that unit can typically manage such relationships on its own. When a relationship spans multiple business units (BUs) it becomes more complex, often with more direct ties to broad corporate Cisco strategy. Via the Strategic Alliances organization's new alliances function, Cisco then provides a business center to filter out the corporate complexities and to understand a higher order of maximization.
- ☒ **Geography.** Cisco has always its eye on expanding into new geographic areas, as exemplified by its multiyear involvement in the Indian market.
- ☒ **Technology and markets.** Here is where the company is looking for radical change in the marketplace: for disruptive technologies. Cisco actively seeks out industry phenomena that could marginalize its value in the technology marketplace.

Company Selection

The companies that Cisco focuses on today are different from those of a few years ago. Many that were once strong are now weak, and vice versa. When assessing a company, Cisco sometimes encounters a difference in corporate cultures: For Cisco a strategic alliance is a very high bar requiring significant commitment. Not surprisingly, there are many enterprises that want to be a partner of choice within Cisco's Strategic Alliances organization. All must be taken seriously, with mutual effort required to

assist and understand partnering strategies. Requests come from all areas, both outside and within Cisco. As a result, it is very important that the new alliances group transfer its knowledge to facilitate partner development.

Within any alliance assessment a go-to-market strategy that brings in business units must be fielded. This strategy can and will change from time to time. For example, one of Cisco's dominant geographic focus areas today is India, but 10 years from now it may be the Czech Republic. Relationships may become more revenue oriented, then transfer to the channel or place added weight on implementation success.

When Not to Partner

Cisco does not want to be distracted by great companies that, nonetheless, it would have to struggle to create value with. Likewise, there are many enterprises that do not seem to make logical sense as Cisco partners; yet Cisco has to be aware that, as the market evolves, so does alliance potential. The new alliances team prioritizes its efforts on an assessment of the three objective criteria mentioned above: Does the relationship cross business units; does it fill a geographic gap; does it represent a new technology/market? That said, an alliance passed up by the new alliances team may be suitable for a given business unit or a more narrow channel or marketing relationship. This is important to realize: In many cases a company that does not suit the strategic alliances group can still work with Cisco in another capacity.

The Five Test Areas

If a potential strategic alliance partner meets Cisco's threshold criteria of either offering cross-BU value to the company, growing share in a priority geography, or accelerating a new market, the new alliances team may then proceed to the next phase: incubating a partnership to assess more specifically value to Cisco and its customers. The incubation stage typically involves the following five test areas:

☒ **Governance.** There are two key governance requirements: executive sponsorship and the adoption of joint success metrics that both companies are in agreement with. All strategic alliances require committed, top-level executive sponsorship on both sides, not only for the alliance overall, but also for any geographies or major initiatives in which the alliance plays. Cisco pays close attention to the level of executive involvement. If "lieutenants send lieutenants" to meetings, that may signal a lack of commitment. However, this is not just about CEOs getting together: Direct reports are required to build the overall momentum, with a net increase of relationships quarter over quarter. If Cisco can show only two relationships with key executives when analyzing and reviewing a strategic alliance, that raises concerns about the depth of the alliance. Cisco tracks the number of VP hours committed to a given relationship and can show a direct relationship between executive involvement and alliance performance. The new alliances team will contact an alliance partner if there is any new compelling information. There are periodic executive exchanges and briefings. As critical events happen, contact could be made every day. Additionally, each executive sponsor is held accountable by Chambers to make sure he or she is cultivating the right relationships.

- ☒ **Solutions development/joint initiatives.** Both companies must be sure that the relationship is progressing and that they know the "next act in the play."
- ☒ **Market satisfaction.** A key aspect of the incubation process is a shift in focus, from Cisco and its partner to the customer. Rather than thinking whether or not one or the other company did well, thought must be given to how well the two worked together and how well the customer is being served.
- ☒ **Revenue.** Many companies use short-term revenue as a key measure of strategic alliance success, whereas Cisco's preference is to look at a balance of short-term and long-term revenue projections. Short-term revenue metrics are certainly an important means for understanding the relationship. If an alliance revenue target is \$100 million, for example, Cisco has to know the mix with the partner, how much is pull-through, and how much is left in the channel. In a ship-to-build model, tracking revenue is fairly simple, but Cisco wants to make sure that the partner is also reporting back to the shared governance structure (i.e., board/team/executive). Cisco has Web-based tools that analyze revenue streams and provides this information to the governance team.
- ☒ **Wild card.** Here is where an alliance partner's unique characteristics come to the fore. Is the company engineering focused? Does it have a specific government or vertical market focus? Is there a target geography?

Assessment Process

It is important that there be consistent criteria to support the assessment process. Cisco conducts a qualitative and a quantitative assessment of potential alliance partners. The quantitative assessment includes online tests that result in scoring, whereas the qualitative assessment involves long-term criteria. For Cisco it is important to be aware of more than benchmark scores and to include unique values that come out of the target company's wild-card position with regard to a given geography, technology, and market.

Incubate, Then Operationalize

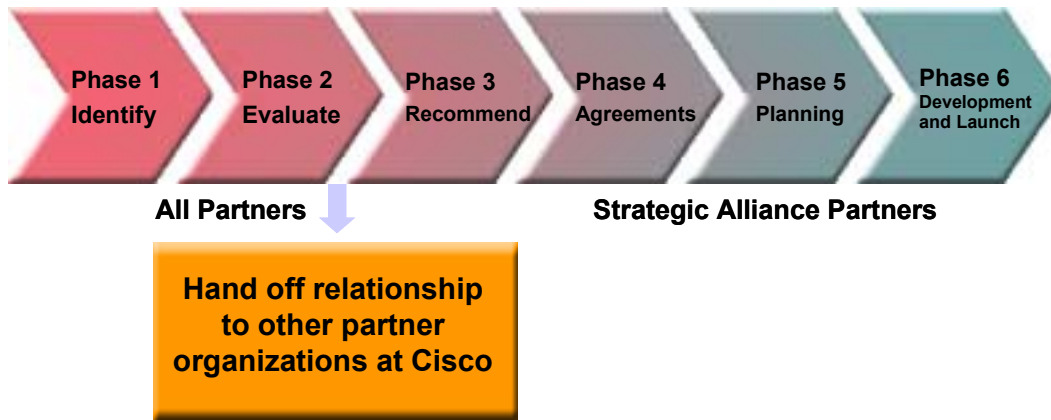
This is the key to what the new alliances team does: It is the organization that builds the strategic alliances pipeline and then gets partners up and running. Once an alliance matures, the relationship is then transferred out to the appropriate operational alliance team or to a different part of Cisco. A fair evaluation can take from one to three years of incubation. This involves analyzing and testing with the customer base to make sure that the alliance is working well in the market.

Sometimes benchmark and lighthouse accounts do not scale — the new alliances team can determine that early on. While the alliance is becoming operational, other relevant functions are closely involved. This is team driven, with the new alliances organization often bringing people into its organization to develop competencies in newer or different areas. Not only the alliance, then, but also people associated with the alliance can be passed on to the operational team.

Figure 1 shows the transition stages and how evaluation determines whether a partner is deemed strategic or not.

FIGURE 1

Partner Evaluation



Source: IDC and Cisco, 2006

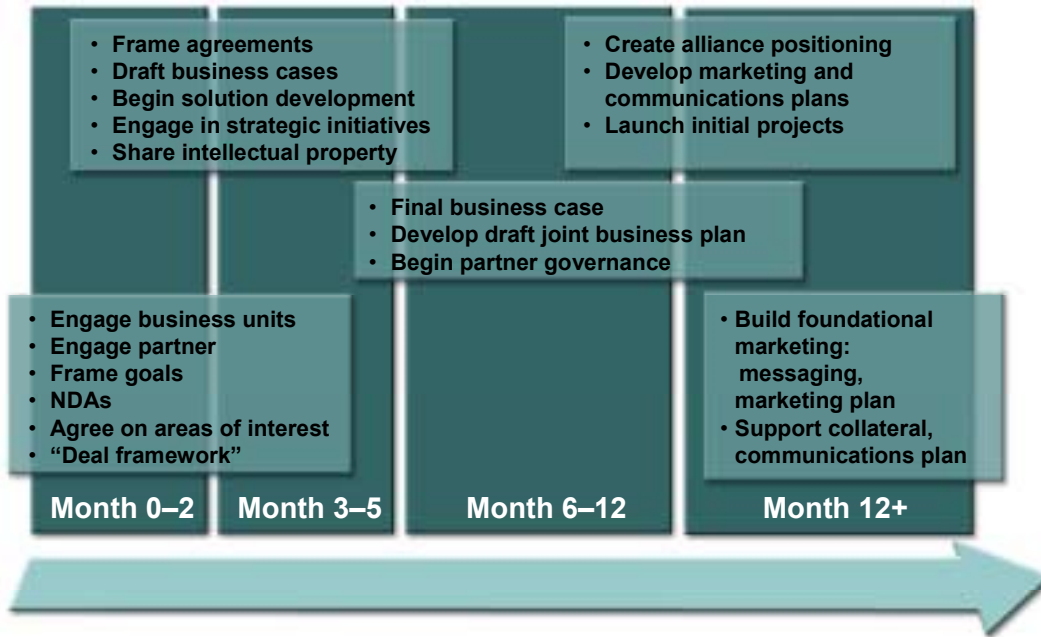
The fastest incubation phase has been in the four- to five-month range; Cisco has some that are still ongoing after five years. In these long-term examples the new alliances team knows that value exists, but it needs to get the operational aspects right. Sometimes a CEO switch in any of these incubating companies can instantly change the dynamic of the relationship. Senior leadership has a lot to do with why Cisco is there and how effective the relationship is. C-level leadership, then, often becomes a determining factor, not only in going forward, but also in not going forward. This is often determined by the degree of CEO involvement in the first phase.

It is uncommon for Cisco's new alliances group to have only one contract with a given company; in fact, often there are five to ten contracts. These are long-term contracts, based on core competencies that cover varied joint go-to-market strategies, and do not need to be revisited for several years.

Figure 2 offers a detailed representation of a 12-month scenario.

FIGURE 2

12-Month Scenario for Incubating and Launching a Strategic Alliance



Source: IDC and Cisco, 2006

Academic Influence

The framework and philosophy embraced by the Cisco new alliances team has been influenced by the work of Thomas Kuhn and his well-known work *The Structure of Scientific Revolutions*. This work suggests that paradigm shifts are evolving and disruptive. If looked at as a quadrant within a given new alliance opportunity, Cisco may be in the lower left and desirous of getting to the upper right. However, this is more than a one-step process, with the company often passing through other stages — bottom right, upper left — in order to build buy-in within the company.

In the case of Fujitsu (which is examined in more detail later in this document), a company that had been a competitor was now being courted as a strategic alliance partner. From the quadrant perspective, the x- and y-axes are moving up and to the right. The core is always evolving, and once it slows it becomes operational.

The new alliances team is also cognizant of Clayton M. Christensen's book *The Innovator's Dilemma*, which examines how new technologies can cause great firms to fail. From a new alliance perspective, the takeaway from Christensen's work is to bring a decision-making process into a corporate program that looks at circumstances broadly. The needs and functionality of both companies must be understood for an alliance to succeed.

Cisco's Red, Yellow, Green Scenario Analysis

Cisco often uses a simple Red, Yellow, Green (RYG) tool across a number of alliance evaluations. If it is not clear which way to move, then Cisco uses this tool, allowing that there could be more than three scenarios, more than one option, and more than one way to engage a partner. The review of Cisco's RYG analysis comes from two examples of new relationships: one in incubation and one that Cisco decided not to pursue. This tool works well when quantifying business cases around potential partnerships and then driving to internal consensus on the right choice for Cisco. As with any new alliance, the tool works in the following way in response to the three dominant criteria: an alliance across business units, a new geographic opportunity, or a new technology market:

- ☒ **Background:** Key internal stakeholders either may not yet have formed an opinion or may have different opinions about whether to partner with a particular company (X).
- ☒ **Goal:** Stakeholders consider the scenarios and gain consensus on the best option for Cisco.
- ☒ **Solution:** Stakeholders form three cross-functional teams to analyze three scenarios of partner engagement.

There are three different color-coded business cases — red, yellow, and green — with one for each scenario, and all represented within a cross-functional team. Red can mean no engagement; in fact, not to partner is always an option. Yellow and green are engagement scenarios — yellow could be more limited and green more broad. A specific example of a rapid RYG partner assessment conducted by Cisco is as follows:

- ☒ **Red (no engagement).** If Cisco does not engage with X, what should the company do differently?
- ☒ **Yellow (some defined area of focus).** Where can X bring the most value to Cisco?
- ☒ **Green (full strategic approach).** If Cisco fully engages, what are the opportunities to the existing business?


When assessing the benefit there must be a business case and clear data for each scenario so that they can be examined side by side. Having all the various teams go through analysis brings consensus.

Cisco had a lot of backup data in this example, as can be seen in Figure 3.

FIGURE 3

Cisco's Red, Yellow, Green Assessment

	Red	Yellow	Green
Premise	<ul style="list-style-type: none"> Why does Cisco believe that the partner does not provide value? 	<ul style="list-style-type: none"> Is the partner a long-term winner (provide market data)? Where can the partner help Cisco? Are the company's strategies aligned with Cisco's strategies? 	<ul style="list-style-type: none"> Is the partner a long-term winner (provide market data)? Where can the partner help Cisco? Are the company's strategies aligned with Cisco's strategies?
Strategy	<ul style="list-style-type: none"> What are the implications if Cisco does not partner? What must Cisco do differently? 	<ul style="list-style-type: none"> How does Cisco utilize this partner to the fullest extent? 	<ul style="list-style-type: none"> How does Cisco utilize this partner to the fullest extent?



Resource Requirements

Source: IDC and Cisco, 2006

Premise and Strategy

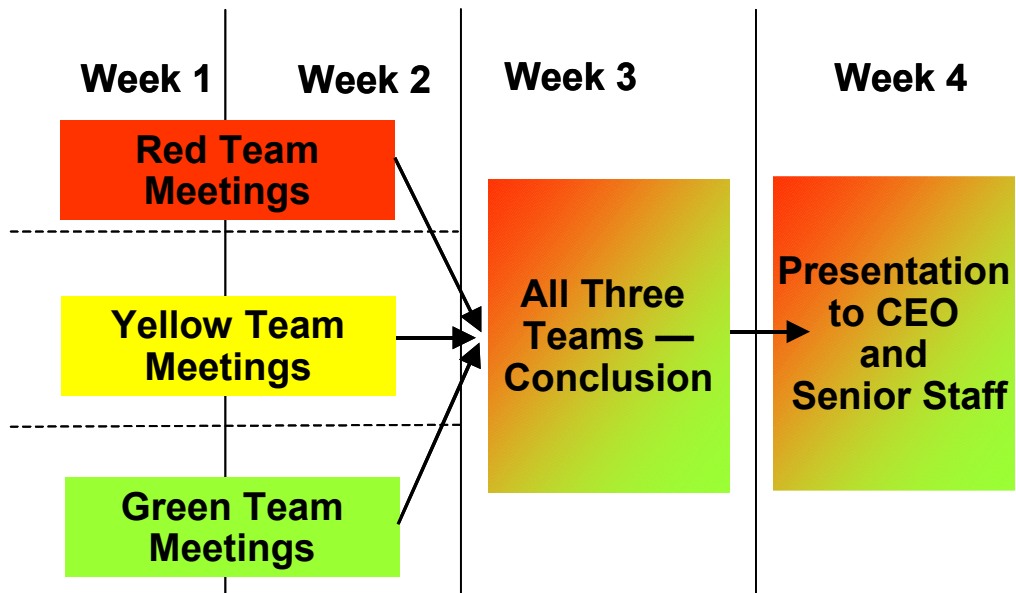
The premise at the base of the RYG assessment process must address the following two questions:

- What are the assumptions about the partner in this scenario?
- Why does Cisco believe that the scenario is the best option?

From there the shift to strategy kicks in the RYG rapid response process, as shown in Figure 4.

FIGURE 4

The RYG Rapid Response Process



Source: IDC and Cisco, 2006

This took three to four weeks of team meetings — a remarkably brief period of time, given that the new partnering opportunity, a significant IT player with complementary technology, represented a complex marketing scenario.

There were four to six people on each of the three teams, including VPs. Some functions were common to all three teams. For example, someone from the Strategic Alliances organization sat on all three, as did some finance people, for consistent data. It was crucial that there be a standardized methodology for the business case.

The recommendation, then, has to come from across stakeholders. This is important because such an agreement on strategy provides Cisco with the mindshare for alignment to feed into execution. These feeds come all the time and are key to success, whether they are from internal Cisco research or from senior management.

In the end, the RYG scenario analysis produces:

- Clear data on opportunities and risks of each scenario
- More informed decision making
- Consensus among the executive team
- Enhanced executive commitment of resources to implement the action plan

Partner Case Study: Intel

History

Cisco and Intel have had a business relationship spanning over 20 years involving industry collaboration and executive engagement. Cisco and Intel are, for example, often on the same side regarding standards, corporate practices (i.e., stock options, expenses), and point of view toward industry approaches. For Cisco to claim an alliance with Intel, therefore, is not exactly news, though it is true that the relationship has experienced varying degrees of activity over time.

Although many customers or other third parties might not make an automatic connection between Cisco and Intel as partners, especially given the differences in their ecosystems, the two companies have rebooted the relationship over the past three years.

The Fit

At present Cisco's relationship with Intel crosses several functional areas, including sales, manufacturing (Cisco uses a number of Intel components), and technology collaboration within business units. Beyond that, the two companies' government affairs, legal, HR, and marketing staffs frequently collaborate where appropriate.

There are two technology collaboration initiatives to date that drive consistent value and form the foundation of Cisco and Intel's strong working relationship. These initiatives are made possible by the alignment between Cisco's Strategic Alliances organization, their Intel counterparts, and the respective Cisco business units:

- ☒ **Wired LANs (i.e., Fast Ethernet, Gigabit Ethernet, 10GbE).** Both Cisco and Intel are leaders in delivering Ethernet LAN infrastructure — Cisco in switching and Intel in network client silicon. As the various flavors of Ethernet standards have evolved, this has provided a symbiotic value chain.
- ☒ **Wireless LANs.** Similar to wired LANs, Cisco and Intel have been active in wireless standards. In addition, Intel is one of Cisco's primary partners on Cisco Compatible Extensions, a program that enables other vendors to design Cisco wireless innovations into their client products. In addition to being Cisco compatible, Intel's Centrino platforms feature the Business Class Wireless Suite (BCWS). BCWS is a special set of jointly developed innovations that reside in the client and the infrastructure.

The two companies also have room to grow together, such as opportunities in certain verticals like healthcare, retail, and the public sector. There is also room to grow within specific product and market relationships, one of the most striking being Linksys' relationship to Intel's Digital Home.

How It Works

About three years ago, it was apparent that Cisco would need to build a governance structure for its alliance with Intel; in particular, for how the two companies could grow their partnership and preserve intellectual property (IP) while working closely on

technology collaborations. The two companies put in place an umbrella agreement, such that whenever there is an interest in a collaboration, Cisco and Intel create specific statements of work (SOWs) with milestones that are governed by the technology collaboration and IP agreement. There are several phases within a collaboration project, of which two to four could be information sharing alone. The collaboration then proceeds to documentation, prototypes, joint development, and comarketing.

For Cisco and Intel, IP is obviously very important. The IP agreement is drafted such that both companies are protected in a conversation; as a result, they tend not to hold back and the collaboration is stronger.

A good example was the joint security initiative. Intel had been working on its Active Management Technology (AMT) for managing desk-site visits for desktops and laptops. It approached Cisco, shared the information, and proposed collaboration. Cisco saw multiple ways to interface with the offering. It could add to it, improve upon it, and give Intel feedback regarding security risks. The security management space functioned as a wild card: Cisco had a number of partnerships at the time, yet the relationship with Intel in this area was in its infancy. The two companies had to work together to prove value.

That process took about 18 months. Cisco was looking at how to secure the client desktops and laptops and saw that some of Intel's management enhancements, though impressive on their own, also added security risks. There had to be a balance in the technology between access capabilities and the integrity and security of the system.

Measuring Success

Cisco logs the revenue going back and forth between the companies. For example, when Cisco sells equipment to Intel's IT organization, the amount is tracked. Cisco also tracks the purchases it makes of Intel components and does look at the balance of trade for consistency. In the end, however, the financial return is an indirect measurement of the success of the overall alliance.

In effect, the Cisco relationship with Intel is about developing technology for business transformation. In the case of verticals, for example, the companies ask: How can Cisco and Intel technologies be used to transform business? In effect, sales functions more as an influencing body. One example is St. John's University, where the organization learned how to use Cisco and Intel's wireless technologies and enhancements to recruit students and to better serve its populace.

C-Level Involvement

Within the Intel relationship, Cisco monitors the extent of executive commitment on both sides. For example, in the first year of the alliance, the Cisco team tracked 200 hours that its executives spent with Intel peers. That level of involvement has continued. This is significant, as are other measurements. When Cisco conducts its go-to-market programs and launches a collaboration, it tracks how many people use the joint Web site, how many articles are published, the number of leads generated, and the number of people attending Web seminars.

Why Partner with Intel?

When partnering opportunities are not obvious or have evolved over time, they need to be reexamined with a fresh perspective. Obviously, both Cisco and Intel have proven records of technology innovation. When considering Intel the following reasons to partner become apparent:

- ☒ **Accelerated market adoption of mutual beneficial technologies and innovations.** The alliance has helped to accelerate adoption of wireless and wired Ethernet solutions.
- ☒ **Product leader company.** It is important to partner with category leaders and to cobuild strong brands.
- ☒ **Clear opportunity.** The companies were also coming from a solid starting point in that they had had a good long-term relationship. That said, there was quite a bit of reknitting of relationships. For the first couple of years, Cisco was consistently being asked if Intel was not in fact a competitor, given that Intel had once manufactured and sold networking products.
- ☒ **Belief in the long-term, strategic value.** Intel is a great example of cross-business unit value add. Cisco's new alliances team looks for ROI — a sometimes elusive metric — but must accept that value comes from a solid interorganizational relationship. Key to this is that the alliance be driven by strong executive leadership and sponsorship. With that level of buy-in, the central organization need not wait for an update: Barriers can be addressed, with the new alliances team actively driving the relationship. Regardless of the area of interest, the new alliances organization is there to foster the relationship, while monitoring and providing context for other developments that might require information sharing.

The New Alliances Team's Role

In the case of the Intel relationship, Cisco's new alliances team provides strategic identification all the way through to program management. When and if the program has enough legs to live on its own, it will; but until such time the new alliances team takes ownership of the overall program.

This involves negotiating contracts and initiating executive discussions, as well as information sharing specific to priority areas such as security. Additionally, for shared go-to-market strategies, Cisco and Intel have engaged focus group research with mutual customers. The news back from customers is that the brands reinforce each other and that a sense of a lasting high-level partnership adds value.

Getting the Message Out

At the Intel Development Forum last fall, Cisco and Intel put forward a joint message on security and wireless infrastructure. Aside from the standard PR launch and keynotes, the companies made certain that peers from both companies were on the stage at the same time. Cisco then launched a Web-based media campaign with the theme Secure Wireless, which was designed to enhance awareness and preference

for the two companies as well as obtain customer leads and extend the story. There is also a Cisco/Intel Web site designed to inform and serve mutual customers: www.ciscointelalliance.com.

Partner Case Study: Fujitsu

When looking at the case for Fujitsu, it was apparent to Cisco's new alliances team that the key criteria for a new alliance were present: Japan was a very important geographic market, the alliance would positively contribute to the goals of multiple business units at Cisco, and there was a strong argument for accelerated technological innovation. Perhaps most important, however, was Fujitsu's influence on customer buying behavior, particularly in Japan.

The Market

When looking at the Japanese market, Cisco felt that partnering was the right idea for a number of reasons.

First, it would immediately increase Cisco's footprint in a region where businesses and consumers traditionally have been on the cutting edge of technology adoption. Proving early technology success in Japan has at times been used to prepare technology for broader rollout throughout the world.

Second, there were a number of RFPs for next-generation network (NGN) buildouts for triple-play (data, voice, and video), and quad-play (data, voice, video, and mobility) networking solutions. They represented billions of dollars of potential spend, yet in Japan businesses often prefer the option of buying from domestic companies. Cisco needed to be well aligned with the right blend of manufacturing, integration, and sales capabilities to address these customer needs.

Last, at that time NEC and Hitachi had teamed up to deliver competing products through their own development and newly created joint venture. A partnership with Fujitsu therefore seemed natural, given Cisco's strong technology and Fujitsu's intimate knowledge of the Japanese market and customer needs.

The Process

The process, from initial discussions to the announcement of the partnership, took about nine months, which is not uncommon. The Fujitsu relationship, though full of unique characteristics, also followed a process that was fairly typical for Cisco. There were three stages:

- ☒ **Define the goal.** Cisco had a target question: How do we win our fair share of the NGN business in Japan? The catalyst was core routing, a critical component of NGN buildout.
- ☒ **Define the route to market.** Given Cisco's size, there were multiple options to choose, all involving very close partnership with the existing Cisco office in Japan. However, the key question of how best to align with the service provider that customers needed remained to be answered. Fujitsu already had strong, long-standing relationships, and it was clear that the best and quickest route to

market and path to success was through a collaborative effort combining Cisco technology and Fujitsu customer relationships.

- ☒ **Build.** After initially establishing the foundational aspects of the partnership (NGN), Cisco and Fujitsu continued to build on the opportunity, looking at other areas of possible alignment between the companies. Additional areas of engagement were identified and teams were put in place to build out those engagements. Having multiple areas of opportunity between the partners is critical to long-term success for the partnership and overcomes challenges should one area of the collaboration come under stress.

The Fit

A common mistake made when developing new alliances is to limit opportunity by defining where companies can and cannot work together. With Fujitsu there was a clear target and technology, but it did not stop there; instead, other opportunities in the organizations were considered. Cisco looked at the entire business to see where the two companies aligned and where they did not, so as to avoid overlap.

Trade-offs across business units had to be weighted. Opportunities in switching and datacenter opportunities were identified, as were overlaps. This resulted in broad cross-company understanding that is required to build acceptance at the business-unit level. Both organizations did some adapting, something that is not unusual for Cisco within its "build, buy, partner" model. There were, for example, things to be learned from Fujitsu, a company with a strong business development practice, as well as a competent partnering organization in mobility, servers, and semiconductors.

Going to Market

Initially the alliance was focused on winning the NGN business in Japan. Specifically, Cisco wanted to benefit from a preference shown by some customers in favor of Japanese companies, something that had been made clear by the industry. Cisco already had a long-established Japanese subsidiary providing sales, service and support, and R&D for local service providers, but this new alliance with Fujitsu presented the opportunity to offer a series of solutions tailored to the needs of Japanese carriers.

The Cisco Japan team was intimately involved throughout the process, assisting in driving and sponsoring the Fujitsu alliance. The actual go-to-market plans were developed in-country, from incubation to operationalization of what was becoming a very close relationship.

It was important to Fujitsu and to the service providers that the products were designed for the specific needs of the Japanese market. In order to reflect the close collaboration and the joint effort both companies committed to the Japanese market, Cisco cobranded with Fujitsu. Dual logos are now used, and Cisco is working very closely with Fujitsu on the actual engineering of features. In effect, this positions Fujitsu with the service providers as an extension of Cisco.

Operationalizing the Relationship

When Cisco creates its new alliance relationships, they are in practice managed by many different groups. In the case of the Fujitsu alliance, a clear structure was created in which leaders and members from both companies were identified and staffed an Alliance Leadership Structure as follows:

- ☒ **Joint Alliance Team (JAT).** This team is responsible for the overall governance of the alliance as well as investigating ongoing new business and technology engagement opportunities that arise. The JAT is also responsible for the overall organization relationship and for ensuring that quarterly reviews and executive meetings take place.
- ☒ **Joint Development Steering Committee (JDSC).** The JDSC has responsibility for organizing joint engineering resources and ensuring that projects are properly staffed and that customer needs are incorporated into new products.
- ☒ **Joint Program Office (JPO).** This office acts as the field-facing sales team. This organization is responsible for day-to-day customer engagements, sales training, joint marketing, and other in-country needs that are necessary to support joint customers.
- ☒ **Joint Quality Team (JQT).** The JQT is responsible for addressing total customer quality. This includes not only software and hardware quality but also the entire customer experience, including on-time delivery, DOA response time, and root cause analysis. Quality is a key need to be successful in the Japanese market.
- ☒ **Joint Services Team (JST).** This is a collaborative effort to create an entire life-cycle services model so that customer needs are met from planning through to operations. Together Fujitsu and Cisco have created a unique services model that is truly state of the art.

In the end, the dedicated head count to the Fujitsu relationship is between 20 and 30 people. Operational success is determined by the breadth of the team, by the buy-in across organizations, and by the understanding that coownership is itself a success metric. Established less than two years ago, the Cisco-Fujitsu strategic alliance has not only launched several cobranded products for the Japanese market, but is now also expanding into new markets. For instance, Fujitsu is among the first Cisco Advanced Technology Partners delivering Cisco TelePresence in the Asia/Pacific region.

FUTURE OUTLOOK

IDC believes that Cisco's new alliances team initiative represents a very conscious effort for the company to focus its alliance investment on areas of greatest long-term benefit. This approach aligns well with the general alliance trend of more purposeful and steady plans for enhancing the importance of and budget allocations for alliance functions, as reported in *Worldwide Software Alliance Investment 2006–2010 Forecast: Steady and Measured* (IDC #201723, May 2006). Some specific observations regarding the Cisco initiative and future industry trends include:

- ☒ The Cisco approach was born of the necessity to rationalize alliance investment while still acknowledging the alliances' potential value and importance to better engage in emerging and strategic markets. As many firms face increased pressure and scrutiny to rationalize alliance investments, these measures must be considered relative to the specific needs of the organization because this provides important context for change.
- ☒ The initiative provided an improvement in the ability to demonstrate the measurable impact of alliance investments internally through the use of improved metrics and reporting techniques.
- ☒ The initiative helped to institute governance best practices and subsequently embed governance frameworks that included executive alignment, endorsement, and engagement.
- ☒ Cisco made a significant back-office IT investment to support its process and, over time, ease the cost and overall engagement process burden for both parties.

ESSENTIAL GUIDANCE

Advice for Cisco

IDC recommends the following actions for Cisco:

- ☒ **Continue evangelism of the business impact for complex alliances.** Over time, Cisco has developed a widely acknowledged alliance management competency, with benefits that translate directly to the needs of business executives (such as territory executives, product executives, or executives responsible for delivering a specific solution). In many cases, such executives might initially consider centralized alliance structures and measures as overhead and a potential impediment to nimble execution. This is more likely to be true of non-Cisco executives, who may be looking on the new alliances team process for the first time.
- ☒ **Facilitate postincubation internal communication.** IDC believes the new alliances team could assume an enhanced role in postincubation internal communication to the organization at large. Operationalization is a hand-off that occurs when the alliance is deemed strategic and stable. An alliance has developed sufficient momentum and critical mass when it reaches this stage; however, the transition does open the possibility for new problems to emerge. In particular, the new alliances team might be in a position to predict and address potential cultural resistance that may occur beyond the C-level.
- ☒ **Examine low-touch approaches to transfer appropriate practices to noncomplex alliances.** The new alliances team approach provides an adjunct to the alliance management practices of varied Cisco business units. Can Cisco use some of the intellectual property it has created to increase the efficiency of noncomplex alliances, thus enabling individual business units to be more efficient and productive?

Advice for Other Vendors

- ☒ **Understand the Cisco approach as a prerequisite to working effectively with Cisco.** Although the new alliances team provides a specific function in the life cycle of a Cisco partner, understanding its role is important to having a productive dialogue with the company. Could your company bring ideas to Cisco that might result in a more strategic or complex partnership? Does your company possess the regimen and the drive to enter such a relationship — or is it potentially better to focus on a specific market opportunity?

- ☒ **Ask yourself: Does my company possess the ability to effectively execute complex alliances?** Many organizations strive to create efficiency through centralized alliance structures, only to get bogged down in bureaucracy. Approaches to achieve centralization and standardization are often accompanied by rogue initiatives to counterbalance the need for grass-roots connection and the desire for action over strategy. Although the grass-roots initiatives are valuable mechanisms to keep bureaucracy in check, they can undermine investments designed to reach specific broad market goals.

LEARN MORE

Related Research

- ☒ *Worldwide Software Alliance Investment Forecast 2006–2010: Steady and Measured* (IDC #201723, May 2006)

- ☒ *IDC's Worldwide Partnering and Alliances Taxonomy, 2006* (IDC #34954, March 2006)

- ☒ *Top 10 Predictions for Software Business Strategies* (IDC #201039, March 2006)

- ☒ Thomas Kuhn, *The Structure of Scientific Revolutions*

- ☒ Clayton M. Christensen, *The Innovator's Dilemma*

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