

## IBM Business Partner Relationships: Key Insights Gained from PartnerWorld 2007

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Date: May 10, 2007

### INTRODUCTION

This Springboard Research document presents insights, observations and analysis gained from IBM's Partnerworld conference held in St. Louis, Missouri, USA, from April 28 to May 2, 2007. The basis for the insights expressed within this document – beyond our continuous tracking of IBM's business activities – includes information obtained from interviews with senior IBM executives and business partners.

### KEY OBSERVATIONS

IBM's relationships with their business partners are mutually beneficial alliances that are becoming more and more multi-dimensional and transformative. It is obvious that IBM is looking for deeper relationships with its partners and is aiming to be more than just a product provider. Instead, IBM is growing business relationships where both sides work together to achieve innovation in technology solutions. Indeed, collaboration is a key theme that is increasingly defining IBM-business partner relationships, and IBM hopes its partners begin to view the affiliations in the same way.

IBM is encouraging and driving partners to transform themselves into mini "Big Blues" – a sort of IBM alter ego. Some of the other key themes that are shaping IBM's relationships with its partners and also defining the business strategies and focus areas of the partners themselves are described in greater detail below:

- **SMBs Will Drive Growth for Partners:** Small- and medium-sized businesses (SMBs), a key thrust area of IBM's business strategy and growth driver for the vendor for the past 5-6 years, is expected to become the vendor's biggest industry in the next couple of years. And when that happens, it is IBM's business partners who will have much to cheer about as close to 50% of the SMB business comes through them. IBM appears very eager to tap partners for the SMB opportunity. The reasons are obvious – business partners enjoy a certain degree of closeness with the SMBs and better understand local market conditions in which their customers function.
- **Collaborate and Win:** That seems to be the guiding mantra for IBM's relationships with its business partners. Collaboration is an important business tool for IBM, and the vendor appears committed to using it as a means to deliver innovation and new ideas to customers. Partnerworld 2007 highlighted this focus and resonated with calls to collaborate. IBM is firm in its belief that the best new product/service and business model ideas arise from this collaboration – between and with IBM and its partners, and within IBM itself. IBM is using new ideas, tools and technologies, such as social networking and 3D Internet, to enhance the level of cooperation with and between its partners.
- **Asset-based Services Bring More Value:** Currently, hardware dominates the business of IBM's partners, and software is the fastest-growing area for them. However, IBM's focus on services, especially on building asset-based services, is surely going to

change the complexion of – and even force changes in – their business models. IBM wants its partners to begin realizing the value of asset-based versus labor-driven services. IBM believes that current IT expenditure patterns are heavily labor-intensive and as the cost of labor rises, so does the cost of IT. Developing asset-based services and institutionalizing knowledge could bring more sustainable value to customers and bring their IT costs down, and IBM is working with its partners to deliver this service model.

- **Build Value in Client's Legacy Systems:** There is value in legacy. IBM wants its partners to realize that a typical enterprise with hundreds of software applications accumulated over the years is in no way going to replace them all. Obviously, those replacement costs would be enormous and beyond most company budgets. On the other hand, an average large business is running close to 4,000 applications/10,000 software programs. With this enormous collection of software, customers are dealing with very high levels of complexity. Business partners must work to create better value for customers and help them not just overcome challenges forced by complexities in their system, but also help customers maximize value from their legacy systems.
- **Go Global:** The world is increasingly going global and so are customers. IBM's business partners, especially ISVs, must therefore have global capabilities. To grow their business, ISVs will need to expand to newer markets in unexplored geographies. IBM is ready to help ISVs and other key business partners go global and build capabilities that can move them beyond their local markets. IBM is already working with regionally-focused ISVs. For instance, IBM is helping Brazil-based TOTVS/Microsiga to reach other Latin American markets and China's Ufida Software Co. to expand its business to Japan, Malaysia and Singapore.

## KEY PARTNERWORLD 2007 NEWS

Three key announcements made at Partnerworld 2007 that are going to shape IBM's partners business in the coming months are:

- **Expansion of Express Advantage:** IBM announced the expansion of its Express Advantage program designed for companies employing between 100-1000 staff. The program, once limited to the U.S. and Canada, now extends to 23 countries in Europe, Asia-Pacific and Latin America. Express Advantage bundles IBM's Express range of products for SMBs with the vendor's financial services, and IBM plans to spend more than \$200 million on its rollout. IBM also unveiled a new Express server, as well as storage and software offerings. The announcement aligns with IBM's goal of widening its portfolio of solutions for the SMB market and thereby tapping more opportunities in that sector.
- **Launch of IBM PartnerWorld Value Net Connections:** Keeping with its goal of raising the level of collaboration with partners and engaging them more deeply to build a broader ecosystem, IBM launched a new set of online collaboration and networking tools. With the PartnerWorld Value Net Connections program, IBM expects its partners to more easily identify synergistic partners and go to market with industry-tailored solutions, particularly for the mid-market. IBM's other key initiatives developed to promote online collaboration included IBM Lotus Connections for Partners and IBM developerWorks community spaces.

- **A New Marketing Strategy:** IBM is looking at transforming its marketing by focusing more on the mid market, which represents a major opportunity. The new marketing program will target key customer audiences (CIOs, line of business managers, IT managers, and IT buyers), be more aligned to each group, and feature consistent messaging and active collaboration with IBM's business partners.
- **A New Business Partner Award for Corporate Citizenship:** IBM announced a New Business Partner Award for Corporate Citizenship that will recognize innovative ways that business partners apply technology to make a difference in society. The award will be given for an innovative information technology solution developed and implemented by a business partner in environmental affairs, community engagement, human resources and responsible supply chain practices.

### **FOCUS POINT**

IBM is moving into a new era of business partnership – a phase that will be shaped by an enhanced level of collaboration leading to deeper integration of both IBM's and its partners' business goals. This surely will have a major impact on IBM's existing business focus. In addition, this emerging collaboration will be critical to IBM's goal of developing innovative ways to serve customers and to develop new markets. For IBM's business partners, the deeper alliance will offer a significant opportunity to experiment with new business models and expand to markets beyond their local geographies.