The Collaboration Imperative!

Lorin Coles, Alliancesphere CEO
Circa 2000
Peter Drucker

“The corporation as we know it is unlikely to survive the next 25 years. Legally and financially yes, but not structurally and economically.”
Peter Drucker...
The Importance of Alliances and Partnerships

"Businesses once grew by one of two ways; grass roots up, or by acquisition... Today businesses grow through alliances - all kinds of dangerous alliances. Joint ventures and customer partnerings which, by the way, very few people understand."

“The greatest change in corporate culture, and the way business is being conducted, may be the accelerating growth of relationships based not on ownership, but on partnership”
A Holistic View...

Partnerships and Collaboration are part of the DNA
...Across the Value Chain

Build-Buy-Partner Decisions

- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing & Sales
- Service
A Holistic View....

*Partnerships and collaboration are part of the DNA*
...Across the Value Chain

Build - Buy – Partnership Decisions
Example: P&G’s Connect & Develop Program

Poster Child for Open Innovation

**CONNECT + DEVELOP PROGRAM**

- **Goal**: Accelerate internal R&D capabilities to include outside partners, customers and even competitors
- **Identify lead users in extended networks**

SUCCESSES

- Swiffer
- bounce
- Spinbrush
Example: Boeing Dreamliner

Embedding Alliances into the Supply Chain
Example: The Coca-Cola Company - Green Mountain

_SodaStream’s New Mainstream Rivals_

- Coca-Cola buying 10% stake in Green Mountain Coffee Roasters for $1.25B
- Coca-Cola is 1st company to feature its brands in GMCR’s new Keurig Cold Machines (to debut in 2015)
- Direct competition with SodaStream who currently dominates the DIY cold-brew market
- **Selling Point:** Compatibility with familiar, valued soft drink brands
Example: IBM – Apple Alliance
Forging a Partnership to transform Enterprise Mobility

Apple and IBM are working together to bring iPhone, iPad, and IBM MobileFirst for iOS apps to enterprises around the world.

By partnering with IBM, Apple can leverage outside expertise in security, social and mobile deployment without distracting itself from its core competency in building hardware, software and platforms.

“For the first time ever we’re putting IBM’s renowned big data analytics at iOS users’ fingertips, which opens up a large market opportunity for Apple. This is a radical step for enterprise and something that only Apple and IBM can deliver.”

- Tim Cook, Apple CEO

“This alliance with Apple will build on our momentum in bringing these innovations to our clients globally, and leverages IBM’s leadership in analytics, cloud, software and services.”

- Ginni Rometty, IBM Chairman, President, CEO
Example: Open Automotive Alliance

Tech and auto industry leaders join forces to make the connected car a reality

A Global Partnership

The members of the Open Automotive Alliance share a vision for the connected car, and are committed to collaborating around a common platform to make this vision a reality.

Google
GM
Audi
Honda
Hyundai

An Open Ecosystem for the Open Road

“The expansion of the Android platform into automotive will allow our industry partners to more easily integrate mobile technology into cars and offer drivers a familiar, seamless experience so they can focus on the road.”

- Sundar Pichai, SVP of Android, Chrome & Apps at Google

Founding Members

Accelerating Innovation In the Car
Example: GE Software and the Industrial Internet

The convergence of the global industrial system with advanced computing and analytics

**ELEMENTS OF INDUSTRIAL INTERNET**

- Intelligent Machines
- Advanced Analytics
- People at Work

**INDUSTRIAL INTERNET BENEFITS**

- **Oil & Gas**
  - $90B in savings from reduced CapEx

- **Power**
  - $66B in fuel cost savings

- **Healthcare**
  - $63B from efficiency gains

- **Aviation**
  - $30B in fuel cost savings

- **Rail**
  - $27B in rail operations savings
Great Collaboration
Defining Collaboration

Collaboration (col-lab-o-ra-tion) noun
A purposeful, strategic way of working that leverages the valuable resources of each party for the benefit of all by coordinating activities, communicating information, and within an environment of trust, transparency, and respect.

Adapted from Global Community of Information Professionals
Stepping into the Collaboration Era

Complex Problems

Characteristics
- Challenges increasingly complex
- Time frames for action compressing
- Thinking across disciplines required for solutions
- Implementing sustainable solutions requires input from diverse stakeholders

Single Disciplines

Discrete Problems

Multiple Disciplines

Yesterday

TODAY
Gen Y
Congregate, Collaborate & Create

• All Work, All Play
• The Creative Economy
• Pure Collaboration

1. The new-era organization is mobile, it’s geographically dispersed and the decision-making power is decentralized
2. New desire to work collectively to make an impact in new markets and build communities around the companies we create
3. Driven to unify, not divide
4. The hallmark of this generation is collective thinking, collaboration and creativity
A year ago, Sandberg was a Silicon Valley Tech Executive who has skyrocketed to the top of Google and lead her to become Mark Zuckerberg’s right hand at Facebook.

Sandberg’s manifesto, *Lean In*, has solidified her as a 360° life guru for millions of women, who have created thousands of “Lean In Circles” to help each other reach their own job goals.

Post-*Lean In*, many high-profile women have been appointed into power positions:

- **Janet Yellen** – 1st Female Chair of the Federal Reserve
- **Mary Barra** – 1st Female CEO of GM
- **Marjorie Scardino** – Board of Twitter
Women in Business
Fortune’s Most Powerful Women (2013)

1. Ginni Rometty – IBM CEO, Chairman & President

“When I think of IBM, I don’t define it by a product – and I think that’s one of the reasons that it’s 102 years old. If you think of yourself as a product, you’ll miss the trends, you’ll miss the shifts. And you’ll miss dangerous ones, like business models.”

2. Indra Nooyi – Pepsi Chairman & CEO

“Leadership is hard to define and good leadership even harder. But if you can get people to follow you to the ends of the earth, you are a great leader.”

3. Ellen Kullman – DuPont Chairman & CEO

4. Marillyn Hewson – Lockheed and Martin CEO & President
Collaboration is an imperative
Partnering is theoretically easy and practically hard to do

“Collaboration is the number-one trait that CEOs are seeking in their employees, with 75 percent of CEOs calling it critical. . . . More than half of all CEOs are partnering extensively to drive innovation. Compared to their less successful peers, outperformers are partnering for innovation more aggressively.”

— IBM 2012 CEO Study
## New Type of Leaders are emerging

Adapted from Innocentive.com

<table>
<thead>
<tr>
<th>Traditional Leaders</th>
<th>Collaboration Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Believe power comes from their position of authority</td>
<td>Believes power is greatest in a collective team</td>
</tr>
<tr>
<td>Maintain ownership of information</td>
<td>Openly share information and knowledge</td>
</tr>
<tr>
<td>Sometimes listen to suggestions and ideas from their team</td>
<td>Encourage suggestions and ideas from their team</td>
</tr>
<tr>
<td>Deliver the approved solution to their team</td>
<td>Facilitate brainstorming with their team</td>
</tr>
<tr>
<td>Allocate time and resources only when proven necessary</td>
<td>Enable their team with immediate time and resources</td>
</tr>
<tr>
<td>Adhere to specific roles and responsibilities</td>
<td>Allow roles and responsibilities to evolve and fluctuate</td>
</tr>
<tr>
<td>Fight fires and focus on symptoms</td>
<td>Seek to uncover root causes of issues</td>
</tr>
<tr>
<td>Review staff performances annually based on company policy</td>
<td>Offer immediate and ongoing feedback with personalized coaching</td>
</tr>
</tbody>
</table>
Collaborative Leadership is the future

Leaders must cultivate a teaming environment of trust and hold themselves and/or others accountable to the shared vision and objectives... working within AND beyond the four walls to realize shareholder value and desired business outcomes.

**Dysfunctional Team**
- Inattention to Results
- Avoidance of Accountability
- Lack of Commitment
- Fear of Conflict
- Absence of Trust

**High-Performance Team**
- Focus on Collective Outcomes
- Confront Difficult Issues
- Clarifies Ambiguity
- Embrace Constructive Debate
- Be Vulnerable and Open
APPENDIX
Defining Alliances
Through a variety of approaches

Strategic Alliances are agreements among firms in which each commits resources to achieve a common set of objectives. Companies may form Strategic Alliances with a wide variety of players: customers, suppliers, competitors, universities or divisions of government.

- Bain Management Tools 2013

“Alliances, when well managed, can deliver growth quickly—with lower cost and less risk relative to organic business expansion or high-cost, high-profile M&A deals”

- PricewaterhouseCoopers
Peter Drucker...

The Importance of Alliances and Partnerships

"Businesses once grew by one of two ways; grass roots up, or by acquisition... Today businesses grow through alliances - all kinds of dangerous alliances. Joint ventures and customer partnerings which, by the way, very few people understand."

“The greatest change in corporate culture, and the way business is being conducted, may be the accelerating growth of relationships based not on ownership, but on partnership”
Gartner: Nexus of Disruptive Forces

*Convergence of four independent trends are shaping new business models*

**SOCIAL:** A faster, richer, ubiquitous conversation

**INFORMATION:** Big data evolves towards wisdom – the ubiquitous progress bar

**CLOUD:** The expectation of ubiquitous access

**MOBILE:** Becoming the primary computing platform
The Build-Buy-Partner Decision

Business Drivers – Benefits & Tradeoffs

**Build** proprietary/internal technology, products, and/or capabilities
+ : Product Control, Profit, Own the IP
- : Time, Resources, Cost, Risk, Outside Core

**Buy** technology, products, and/or capabilities, or companies
+ : Speed, Own the IP, Control and Profit
- : Acquisition Costs, Risk, Integration

**Partner** with other organizations to access technology, products, and/or capabilities
+ : Speed, Resourcing, Focus, Costs, Trial Run, Credibility
- : Control, Integration, Profit
# Alliance Continuum

*Several models to support various business goals*

<table>
<thead>
<tr>
<th>Degree of Integration</th>
<th>No Linkage</th>
<th>Shared Information</th>
<th>Shared Resource</th>
<th>Shared Funding</th>
<th>Cross Equity</th>
<th>Shared Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary</td>
<td>Outsourcing Relationship</td>
<td>Brand/Cross Licensing</td>
<td>Associations</td>
<td>Programmatic R&amp;D Partnerships</td>
<td>Mutual Investment</td>
<td></td>
</tr>
<tr>
<td>Long-Term</td>
<td>Multi-Year Purchase Agreement</td>
<td>Brand/Cross Licensing</td>
<td>Associations</td>
<td>Programmatic R&amp;D Partnerships</td>
<td>Joint Venture</td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>Commodity Purchase Order</td>
<td>Collaborative Marketing &amp; Advertising</td>
<td>Distribution Agreement</td>
<td>Purchase Agreement with Funding</td>
<td>Joint Venture</td>
<td></td>
</tr>
</tbody>
</table>

*KSU M&A Academy: Alliances – Alternatives or Strategic Choice*
Rationale for Alliances

From a CFO’s Perspective

Figure 3: Companies ally to expand their businesses, control costs, and manage risk

What are the specific purposes for which you use alliances?

- New market/business entry
- Cost reduction/consolidation
- Risk sharing
- New product development
- New distribution channels
- Geographic expansion
- Outsourcing
- Sourcing of products and services
- Bridge to M&A
- Technology transfer
- Co-branding
- Research
- Divestiture/spin-off

% of respondents

The Success of Alliances

Alliance-intensive companies have better returns and increased revenue

**REVENUE CONTRIBUTION FROM ALLIANCES INCREASES...**

% of Revenue from alliances

*Top 1000 US Public Corporations*

![Chart showing revenue contribution from alliances increasing over time]

**ALLIANCE INTENSIVE COMPANIES SHOW HIGHER RETURNS**

Average return to shareholders, %

- 25 U.S. alliance-intensive companies: 13%
- Fortune 500 average: 10%
- 16 solo flyers*: 3%

Source: McKinsey Company, Compustat; Alliance Analyst; Securities Data Company

Source: ASAP, Columbia Univ, BA&H, Andersen, Warren

KSU M&A Academy: Alliances – Alternatives or Strategic Choice

11/13/2013 | 30 | © 2003-13 Alliancesphere, LLC Confidential
Alliance Scenarios

Different ways to create value

- Embedded into the Company
- Alliances
- Alternative to M&A
- Precursor to M&A
Alternative to M&A

VCE

QUICK FACTS

• Integration of Cisco, EMC and VMware technologies into Vblock Systems (November 2009)
  • Industry’s first completely-integrated cloud computing offering
  • Enables organizations to deliver IT services faster, more reliably, and at a lower cost than with traditional data center models

• VCE enabled a global community of systems integrators, service providers, channel partners, and independent software vendors (ISVs)
Alternative to M&A
The Pepsi-Starbucks Alliance

- Pepsi & Starbucks formed the North American Coffee Partnership in 1994
- They inked a new deal in 2007 to expand into international territories
- An alliance designed to **jointly** make and distribute new ready-to-drink coffee beverages
  - Lead to the creation of the ‘bottled’ Frappuccino

**PARTNERSHIP BENEFITS**
- Enabled Starbucks to capitalize on Pepsi’s well-established bottled-beverage distribution network
- Pepsi gained an innovative product line with a well-branded partner
Alternative to M&A

Renault-Nissan

**Goal:** to establish a powerful automotive group and develop synergies while conserving the corporate culture and identity of each brand.

**Result:** Combined vehicle sales have increased from 4.9 million units in 1999 to more than 8.03 million units in 2011

- The first industrial and commercial partnership of its kind involving international brands (a French and a Japanese company) established in 1999
- 2 global companies linked by cross-shareholdings
Precursor to M&A
North Highland Worldwide Consulting

- North Highland & Qedis are combining under a single global name
  - Follows on a long term relationship between the two firms that began in 2005
- Rebranding will enable the UK business to broaden and deepen its expertise and service offerings
- Added an exciting new global player to the UK consulting marketplace

“Working with North Highland for many years on UK/US engagements, we have learned that they share the same values and have a similar passion for our unique style of consulting. We provide a fresh, innovative way of working - blending professional know-how and original thinking, and now, with North Highland, we can also enhance the services we offer our clients.”

- Paramjit Uppal, Qedis Founder
Precursor to M&A

Microsoft-Nokia Alliance

- Microsoft-Nokia partnership announced in 2011
- Acquisition announced on 9/3/2013
- Microsoft will purchase all of Nokia’s Devices & Services business, license Nokia’s patents, and license/use Nokia’s mapping services
- Transaction expected to close in Q1 of 2014
Precursor to M&A
Sun-Oracle Alliance

• In April of 2009, Sun and Oracle announced their alliance

• The EU Commission delayed the acquisition for several months over concerns of Oracle's plans for MySQL, Sun's competitor to the Oracle Database
  • Oracle completed the acquisition on 1/27/2010

• Oracle, previously only a software vendor, now owned both hardware and software product lines from Sun
Embedding Alliances into the Company
Corporate Venturing – The Coca-Cola Company

Created in 2007 with an ambitious mission: to identify and build the company’s next generation of billion-dollar brands in North America.

Part venture capitalists, part brand incubators and part industry forecasters, the team invests in and builds groundbreaking beverages that satisfy unmet consumer needs.

“Coke’s senior leadership purposefully created VEB...to ensure P&L accountability, milestones and deliverables. We are not just investing in brands to learn or generate a return; we are placing bets that they will be our next billion-dollar brands.”

- VEB President, Deryck van Rensburg
Embedding Alliances into the Company
Sales & Channels - FLP

2 LEADING COMPANIES

+ 20 YEARS OF COLLABORATION

= SOLID BUSINESS RESULTS FOR YOU AND YOUR CUSTOMERS
“Collaboration is the number-one trait that CEOs are seeking in their employees, with 75 percent of CEOs calling it critical. . . . More than half of all CEOs are partnering extensively to drive innovation. Compared to their less successful peers, outperformers are partnering for innovation more aggressively.”

— IBM 2012 CEO Study
Buyer motivation affects product decisions

1. “I will work with vendors of bleeding edge technologies, to fundamentally reshape my business or my competitive environment”

2. “I will use stable but not yet common technology to develop a competitive advantage”

3. “I will deploy proven technology to deliver services expected by my customers”

4. “I will buy commodity technology to cut costs”

Source: IDC, High Performance Partnering Workshops
## Alliances by Industry

<table>
<thead>
<tr>
<th>Alliance Type</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Horizontal strategic alliance:</strong></td>
<td>Strategic alliance characterized by the collaboration between two or more firms in the same industry</td>
</tr>
<tr>
<td></td>
<td><em>Sina</em> and <em>Yahoo!</em></td>
</tr>
<tr>
<td></td>
<td>Partnership between Sina Corp and Yahoo in order to offer online auction services in China</td>
</tr>
<tr>
<td><strong>Vertical strategic alliances:</strong></td>
<td>Strategic alliance characterized by the collaboration between two or more firms along the vertical chain</td>
</tr>
<tr>
<td></td>
<td><em>Caterpillar</em></td>
</tr>
<tr>
<td></td>
<td>Caterpillar's provision of manufacturing services to Land Rover</td>
</tr>
<tr>
<td><strong>Intersectoral strategic alliances:</strong></td>
<td>Strategic alliance characterized by the collaboration between two or more firms neither in the same industry nor related through the vertical chain</td>
</tr>
<tr>
<td></td>
<td><em>Toys &quot;R&quot; Us</em></td>
</tr>
<tr>
<td></td>
<td>Toys &quot;R&quot; Us partnered with McDonald’s in Japan to construct Toys R Us stores with built-in McDonald’s</td>
</tr>
</tbody>
</table>
Build a culture of innovation

Source: Game-Changer, AG Lafley and Ram Charan
Embedding Alliances into the Company

Supply Chain - Unilever

**Goal:** Implement new (sustainability) strategies, new business objectives and reintegrate the supply chain back into the heart of Unilever’s business

“We need to bring in marketing to support us on portfolio complexity, bring in sales to support us in improving our Customer Service processes for example, and we need to continue to work closely with our customers and suppliers on issues like waste and sustainable sourcing”

- Neil Humphrey,
  SVP Supply Chain Europe and Chairman of the Unilever Supply Chain Co.
Embedding Alliances into the Company

Outsourcing - GSK

GSK OUTSOURCING ALLIANCE

• Refocus on CRO relationships
• Follows current trend for Big Pharma to form closer links with one or two top tier CROs

These deals are “part of a broader initiative in R&D at GSK to simplify clinical development and significantly increase our productivity”

- Claire Brough, GSK Spokeswoman
Embedding Alliances into the Company

Go-to-market

Figure 9: Partnering Requirements

Figure 10: Partnering Examples
Pivotal™

4 Data Architectures for Infinite Scale

- Transactions
- Real-time Analytical Queries
- "Hot Data" Search
- Big Data Analytical Queries
- Big Data Jobs

Existing/New Apps

Existing/New Systems

In-Memory
NoSQL Data Grid
Pivotal GemFire

In-Memory
NewSQL Data Grid
Pivotal SQLFire

Hadoop/
MapReduce
Pivotal HD

MPP Database
Pivotal Greenplum Database

Existing Data Warehouse
(Reference Data)
Pivotal HD Architecture
Pivotal One: Fabric Ingredients

Data Fabric
- Next gen scale-out, In-memory
- Ingest, Query, Transact
- HDFS/Hadoop

Application Fabric
- Languages & Frameworks
- Services
- Analytics

Automation: App Provisioning & Life-cycle
- Service Registry
- Cloud Abstraction (portability)

Cloud Fabric
- vmware
- Amazon Web Services
- ...ETC