



Partnering Best Practice — Red Hat's Innovative Approach to Strategic Partner Planning

Introduction

Digital transformation is having a significant impact on all companies — the fast pace of change means no company is immune. From a channel perspective, all partners — IT service providers, solution providers, ISVs, resellers and MSPs — are having to evolve to better meet the needs of their customers as they digitally transform. In fact, 55% of European channel partners believe digital transformation offers their customers significant tangible benefits in terms of efficiency, cost optimisation and time to market, while 48% of partners are currently hiring or planning to hire for digital transformation skills (according to *IDC's European Channels and Alliances Survey, 2018*).

As partners start to evolve to better serve customers, their relationship with their vendors must also evolve, acknowledging and supporting the changing environment in which they are operating.

In This Partner Spotlight

This Partner Spotlight analyses the core areas of best practice that Red Hat® exhibits through its new partnering framework and how it has strengthened its relationship with Computacenter through this initiative.

Red Hat is a leading provider of enterprise open source software solutions, using a community-powered approach to deliver reliable and high-performing Linux®, hybrid cloud, container and Kubernetes technologies. Red Hat further supports customers with integration, automation, security, support, training and consultancy offerings, which are delivered through its network of partners, including Computacenter.

Founded in 1981, Computacenter positions itself as a "trusted technology partner to large corporate and public sector organisations, helping its customers source, transform and manage their technology infrastructure to deliver digital transformation, enabling users and their business." Headquartered in Hatfield, in the UK, Computacenter has a global presence, employing around 15,000 people, with estimated group revenue of £4.8 billion in 2018. The IT services company is among the largest in Europe.

Situation Overview

Partnering in the Digital Economy: Why New Approaches Matter

- **Technology is getting more complex.** Over the past decade, there have been numerous innovations. The variety of solutions customers can choose

from has grown exponentially, and partners need to constantly rethink their portfolio of services and solutions to remain relevant.

- **Customers need their outcomes met.** Organisations no longer want a technology supplier or a fulfilment company — they need a trusted partner that can help them navigate the complexity of the digital transformation era. Partners are having to fundamentally transform their business models to better meet these needs.
- **Partners are making big bets.** Partners are choosing their vendors carefully, trying to strategically align to those that will help deliver customer outcomes and help them achieve their transformation goals.

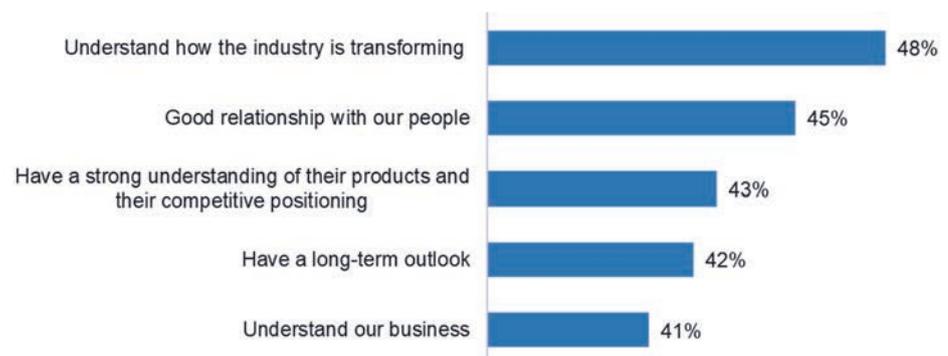
These partnering trends have had a significant impact on the way vendors and their partners interact with each other. Detailed understanding of the shifting market, careful channel planning and seamless execution of these plans become extremely important.

The transformation in the industry has significant implications for partner business models. It is essential that vendors understand how the industry is changing and how it might impact their partnerships. This is reflected in IDC's survey data: when asked what capabilities they rated as critically important, an understanding of industry transformation was cited as the most important characteristic.

Figure 1

Critical Partner Management Capabilities

Q. With regards to working with your vendor's partner account managers specifically, please rank the following capabilities.



Source: IDC European Channels and Alliances Survey 2018 ("critically important" only)

Another essential consideration for partners is that their vendors have a good relationship with their own people. Closer collaboration is needed in the digital era. Red Hat's investments and partner planning initiative, which will be outlined in this report, demonstrate that the vendor is doing this. This approach involves Red Hat's own partner-facing people working hand in hand with its strategic partners across multiple business lines — demonstrating best practice in terms of adapting to partners' changing needs.

Red Hat's Framework to Thrive With Strategic Partners

Against this backdrop, Red Hat recognised the need to deepen its relationships with its most strategic partners. To achieve this, it adopted a new approach to strategic partnering, initially coming from the EMEA partnering team in 2016, and, following its success, scaling across the company globally towards the second half of 2018.

The aim of the new approach is for both Red Hat and carefully selected partners to create new revenue streams through closer collaboration following best-practice guidelines. The approach represents a significant investment by Red Hat as it looks to demonstrate commitment to its strategic partners and, as a result, its customers. Partners involved in the scheme are expected to reciprocate this commitment in order to reap the benefits of the best-practice approach.

This initiative is a long-term and deep approach to partnering, going above and beyond its standard engagement with partners. In practice, the approach sees Red Hat and its selected partner undergo a rigorous long-term strategy, planning and execution cycle to better align the companies and establish clearly defined objectives to drive new revenue opportunities and joint innovation. The overall process sees key leaders within Red Hat and the partner work closely together over the long term, jointly developing goals and plans, jointly going to market and jointly measuring the success of their efforts on an ongoing basis.

Red Hat began rolling out a new strategic planning approach to a group of carefully selected partners in 2016. Not all Red Hat partners immediately qualify to take part in the initiative. To do so, they must demonstrate that together with Red Hat they have proven potential for future growth and executive buy-in across the company.

Red Hat cites its partnership with Computacenter in the UK as an example of how successful this approach can be — the partnership has gone from strength to strength and has led to a multimillion-pound landmark deal that both parties agree would not have been achievable without having engaged in this best-practice approach. Computacenter was selected by Red Hat to participate in the programme for several reasons: its proven potential for growth; executive buy-in; and its ambitions in next-generation technologies and solutions — notably containers, open source and cloud.

IDC considers Red Hat's approach to be best-practice partnering. It underscores the core tenets of joint goal setting and planning, alignment across various stakeholders and leaders from both vendor and partner, measuring success in an agile way, improved marketing planning and the use of market development funds (MDFs), and defining a clear joint value proposition.

Aligning, Buying In and Developing Shared Responsibility

A foundational element of this new approach is creating alignment and achieving joint buy-in across multiple stakeholders within both Red Hat and the partner, so that responsibility for the initiative's success can be truly shared. This ensures that all stakeholders in the process are engaged and have joint responsibility for success. Partnerships are much more likely to thrive when everyone directly and

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indirectly involved is invested in its success, as this removes the risk of resistance and blame culture.

Both Red Hat and Computacenter went to great efforts to earn buy-in from the right people from across their sales, marketing, support, technical and delivery teams, and then teamed them up together. In each area, a Red Hat executive was paired with a Computacenter executive in a comparable role, meaning they could work together on their specific area while also feeding into the wider team. Each team member — from both companies — was empowered to take responsibility for the partnership, and there was no official project owner.

Paul Casey, chief technologist for platform and hybrid IT at Computacenter, said: "Because we had multiple stakeholders, we had a sustained energy to ensure we had focus throughout. We spoke a lot about communal accountability — there is no room for finger pointing."

Chris Dossett, Red Hat's strategic partner account manager for Computacenter, agreed that this was an important element in the initial success of the programme. "It took about six months to identify the relevant heads and to get the buy-in from them all," he said. "It was a time-consuming process because of logistics, diaries and so on. But once that is done, that's when the magic happens because we can all then focus on joint planning: the why, the what, the customer need."

Earning joint buy-in and ensuring everyone in the process shares responsibility is an essential foundation block for best-practice partnering success. The next block is around joint planning and goal setting.

Joint Planning and Goal Setting

This is an important element because it builds on the joint buy-in achieved in the first step and allows all parties to be honest and ambitious about where they would like to take the partnership. The cross-company, cross-departmental team creates a "wish list" of everything it would like to achieve together, and then prioritises items on the list according to what is most strategic and achievable in the desired timeframe. Although joint planning activities are a mainstay of many vendor-partner relationships, they are typically short term and rarely strategic. The approach Red Hat takes with its strategic partners combines short-term and long-term, tactical and strategic goals.

Dean Hogan, solutions leader, platform and hybrid IT at Computacenter, said: "We did a lot of planning activities before with Red Hat, but they were just around the product. As part of the framework, we still did these activities, but we focused on the broader partnership."

Red Hat agrees that joint planning and goal setting is a valuable process to carry out with partners. Edith Messerschmidt, senior project manager for partners and alliances EMEA, said: "Taking a broader look at planning with partners in this process was very important. Tactical or short-term goals — such as around products or short-term revenue — are obviously important, but this process allows us to step back and take a broader look at planning and goal setting with partners. Having this wider and longer-term view is important to us and our partners."

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Setting goals and planning how to get there as a team is best practice. Many partnerships are unsuccessful because one party feels it answers to another, which can foster distrust or discourage them from working towards the goal. Planning and setting goals together as a team not only encourages collaboration but also makes sure that both parties buy into these goals. Finally, joint planning and goal setting provides a clear and mutual road map for the parties to take together, providing the opportunity to jointly review progress as they go.

Measuring Success With Agility

The success of any strategy is only as good as the mechanisms in place to measure it. Red Hat incorporates an agile approach to assessment and measurement with its strategic partners. It is keen for this initiative to be an ongoing process, not simply an initiative with a set timeframe. As such, Red Hat has an agile review process to be completed by it and its strategic partners on an ongoing basis.

In the Computacenter example, the two companies shared online task-management boards to ensure that day-to-day activities were being met. All team members were invited to join and were empowered to check in regularly to measure success. On top of this, regular check-ins were scheduled between Red Hat and Computacenter to ensure that the wider, more strategic goals of the initiative were being met. This agile approach ensured that success was measured on an ongoing basis, and not left as a chore at the end of a process. By measuring success collaboratively, Red Hat and Computacenter were able to make small, incremental changes and course corrections as required, leading to a process of continuous improvement.

Computacenter's Paul Casey said this approach "kept us honest throughout" and helped "lead to better outcomes overall."

Continuous improvement and measuring the success of a partnership in an ongoing and agile way prevents issues getting out of hand while also ensuring that team members are actively involved in developing the successful partnership.

Fuelling Success Through Sales Challenges

Key to the success of this approach is ensuring measurable objectives that are aligned to incentives and marketing. To this end, Red Hat incorporates specific quarterly challenges into the planning process with partners.

The challenges are based around four key pillars:

- Revenue goals
- New customer wins
- Completion of a proof of concept (PoC)
- Training and certification

Based on current status, Red Hat will assign a "sales challenge" to try and drive that behaviour forward — for example, boosting sales or winning new logos. If a partner completes the set challenge, it earns MDFs from Red Hat. To build on this and integrate it into the strategic partner planning framework, Red Hat encourages

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partners to put the MDFs they earn from these challenges towards activities related to its strategic partner planning initiative to further drive joint success.

This is best practice because it spreads the benefits of the Red Hat strategic partner planning framework across the partner organisation and ensures that the teams involved are not working on disconnected initiatives. Using market development funding to fuel best-practice activities is key to remaining consistent to the broader planning goals and ensuring alignment across the partner organisation.

Developing Joint Value Propositions

The core aim of Red Hat's strategic partner planning framework is to drive joint revenue opportunities for it and its selected partners. Both parties must have one specific question in mind — how does this help feed into our joint value proposition? Developing a compelling value proposition helps both Red Hat and its partners position their joint offering to customers, improves customer understanding of the outcomes they can achieve through working with the pair, and helps all stakeholders understand what differentiates this partnership from others. Red Hat recognises this in its strategic partner planning approach and makes this a core tenet of the process.

This approach helped Computacenter and Red Hat to really highlight the key strengths of each company, the value each party brings to the table when jointly engaging a customer and the key reasons why working together provides such a compelling solution for the customer. These core attributes are the basis of the joint value proposition, and subsequently the companies have invested in the services of a strategic positioning firm to help them to take these to market.

"It wasn't easy to zero down on what exactly the value prop was between us both before this process," said Computacenter's Dean Hogan, adding that this is something that has been overcome since completing Red Hat's best-practice process.

Red Hat's vice president for partners and alliances in EMEA, Petra Heinrich, agreed that defining joint value propositions is essential in next-generation partnering. "In today's customer-centric environment, it's vitally important that we as Red Hat, together with our partners, understand what our joint value proposition is," she said. "Working together through this initiative, we have really crafted a unique and compelling value proposition with Computacenter, and it is resonating with our customers."

Working together on a joint value proposition ensures that both parties understand their mutual value, and can articulate this effectively to customers and prospects. The formal elements of the overall approach all feed into this activity, meaning that value propositions arrived at this way are much more likely to be clear and accurate and meet customer needs.

Future Outlook/Challenges

The need for vendors and partners to spend more time strategically planning their activities will only increase as digital transformation accelerates. Achieving early success will serve Red Hat and Computacenter well.

Having to make difficult decisions about which vendors or partners to more strategically align to will be an important mechanism when it comes to better meeting customer outcomes. However, the process does have its challenges. Achieving joint buy-in from both parties is a very important first step and without this, challenges could arise further down the line.

Open and honest communication from the outset is an important way to avoid this potential challenge, as well as being clear about the desired outcomes.

Conclusion

Red Hat's strategic partnering framework represents the vendor's commitment to go deep with specific selected partners. By undertaking a variety of best practices as part of this process, Red Hat is demonstrating that it understands changing customer demands and wants to meet these through its strategic partners.

To thrive in the digital economy, technology providers must understand that they need to strengthen their strategic partnerships to meet their customers' increasingly complex requirements. Red Hat clearly recognises this and is demonstrating commitment to this process through this framework.

Red Hat is investing significantly in an approach that encapsulates the best-practice elements of partnering, including earning joint buy-in, joint goal setting and planning, a process of continuous improvement, enhanced go-to-market efforts and developing a compelling joint value proposition.

While this requires investment in time and resources from both parties, following a methodology and having a deeply collaborative planning process can lead to considerable success, as demonstrated by the wins and growth enjoyed by Computacenter and Red Hat since embarking on the process.

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