

Starting an Alliance with Deloitte Consulting LLP

Guidelines and principles of what
Deloitte Consulting LLP values
in an Alliance relationship

Introduction

You are considering this document for one simple reason: opportunity. An opportunity to explore new services, generate revenue, take advantage of increased capabilities, increase eminence, and gain access to expanded markets. This is what alliances do, and that's why companies value them so highly. Alliances are an excellent way to react quickly and effectively to change. Nimble, scaleable, and fluid, they can significantly mitigate the risk involved with pursuing new market opportunities. When managed correctly and supported by both sides, healthy alliances can be excellent channels for attracting new customers and gaining market share in previously unreachable verticals or niches. Clearly, they demand hard work. But the payoff can be well worth the effort.

We're pleased that you and your company are exploring the idea of a relationship with Deloitte Consulting LLP ("Deloitte Consulting"). Many companies approach Deloitte Consulting to discuss possible alliance and go-to-market relationships ("Alliances"). We, like most professional services firms, need to make careful choices about the companies with which we align ourselves. This document will provide some guidelines and principles around the criteria that Deloitte Consulting uses in deciding whether we will work with third-party organizations and how those relationships will be structured. Additionally, we will provide some examples of different types of Alliances and other business relationships.



Alliance Basics

Deloitte Consulting is highly supportive of our Alliances program, recognizing the value that effective Alliances can bring to our clients and to our organization. In the current market our clients are looking for ways to save money while realizing even better value from their transformation programs, and many of our Alliances provide us with resources and technologies that we do not maintain in-house. Our Alliance relationships can produce new market offerings that provide a competitive advantage in the market place. And some of our Alliance members represent key components of our Integrated Market Offerings (“IMOs”). IMOs are services which bring together different capabilities from Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Financial Advisory Services LLP, and Deloitte Consulting (the “Deloitte U.S. Entities”) – for instance, Tax-Advantaged ERP implementation services.

While we recognize the benefits that our Alliances bring to us, we also understand that an Alliance must be *mutually* beneficial to develop, grow, and produce the results we both want.

Why Create an Alliance with Deloitte Consulting?

An Alliance with Deloitte Consulting has some significant advantages. Deloitte Consulting provides services that help clients in their technology (hardware and software) evaluation processes, which can help provide the opportunity for incremental sales for our Alliance companies. We understand and practice “relationship selling” to senior executives, which is critical when the technology solution involves both a financial and operational risk to the client. Finally, we typically go to market through industry segments or verticals which allows us to adapt an offering to specific markets which should increase their potential.

Additionally, we:

- Are adept at “consultative selling” to a broad spectrum of senior executives (CXO level) in a customer’s organization
- Understand the business implications of a solution, and help our client’s look at their problems more holistically
- Are willing to make “calculated” investments of time and resources
- Are willing to train and build a dedicated service offering if expected service revenues to Deloitte Consulting would exceed \$5 million per year, and that there is strong potential for sustainable growth in subsequent years

Deloitte Consulting has been recognized for the results created through its Alliances, as evidenced by the many recognition awards from the world’s leading technology and services companies, third-party analysts, and our clients. We have also invested in thought leadership and services to help our clients develop better performance from their own alliance programs.

Alliance Definitions and Objectives

Alliances are legal and organizational arrangements in which the members are both willing and motivated to work together for a common or separate business benefit. The underlying belief is that if the parties work together, they will gain more than if they worked separately.

Typical objectives for Alliances include:

- Strategic or tactical benefits
- Capacity or capabilities
- Revenue generation, access to markets or customer segments
- Access to technology, training
- Product or service offering development
- Marketing and branding

An Alliance is formalized by the legal agreement, which governs the specific go-to-market initiative that is agreed to by Deloitte Consulting and the Alliance party. It may include provisions for training of Deloitte Consulting personnel on the Alliance party's software, access to demonstration software, Joint Marketing and the necessary legal protections to mitigate the risks to each party. "Joint Marketing" includes press releases, the presence of one party on the other party's website, one party's limited use of trademarks and logos of the other party, and other public facing activities in the market

Deloitte Consulting generally forms an Alliance around a specific technology or service. There is Joint Marketing of, and potentially cooperation in developing solutions utilizing, the parties' respective products and services. Alliances support Deloitte Consulting's services and the Deloitte U.S. Entities' IMO offerings. There may be specific revenue expectations around the relationship, with smaller Alliance relationships generating less revenue for both Alliance parties than larger, more established Alliance relationships.

Alliances that are smaller in scope typically require less resources, including marketing efforts, to reach the goals that have been set by each Alliance party. Larger Alliances may require more resources, including personnel time invested in the relationship, Joint Marketing efforts, and solution development efforts, in order to reach the expectations that have been set by each party. Larger Alliance companies are likely to also be clients of Deloitte Consulting or suppliers to one or more of the Deloitte U.S. Entities.

Most Alliance relationships start small, and may move to a larger Alliance based on the growth, effectiveness and results of the relationship. Deloitte Consulting does not require the Alliance party to pay an Alliance membership fee to establish an Alliance.

All Alliances are formed to bring to market related products and services that better help a client solve a business problem. Many are "vertical", or industry-focused, but they may also be "horizontal" – designed to positively impact a specific process that organizations in any industry may have. Finally, some Alliance parties are looking to other technology providers, integrators,

and consultants (hardware, software, services) to provide components for integrated two-way, and three-way offerings.

Typically, an Alliance relationship allows the parties to:

- Create differentiated market offerings
- Escape the typical technology sales cycle of price and functionality versus business value
- Use “complete” offerings to deliver more value to clients than stand-alone products
- Drive enhanced margins by packaging higher value products and services

Types of Third-Party Relationships and Specialized Activities

There are many different relationships that Deloitte Consulting can have with a third party. We do not consider all of these to be “Alliances” – and the process for moving into the “Alliance” category requires significantly more due diligence, mutual commitment and time than any other type of relationship. Moreover, we also recognize that these other types of relationships are important and provide for a wide range of activities, interactions, and innovations. We have listed and defined some of the most common ones.

Supplier-to-Buyer Relationship – Products or services are purchased from a third party supplier for internal consumption by Deloitte Consulting and its affiliates. Discounts in pricing are made based on the size of the purchases over a specified period of time. There is no expectation that the supplier will buy professional services from Deloitte Consulting.

Sub-Contractor – Deloitte Consulting contracts with an organization to supply services in a sub-contractor relationship for one or more engagements. This relationship is generally handled by Deloitte Consulting’s Contingent Workforce Services (“CWS”) group.

Teaming Agreement – Deloitte Consulting contracts with an organization to pursue a specific client opportunity to be a prime or subcontractor. These teaming arrangements do not imply the creation of an Alliance at contract time, nor represent a commitment to form an Alliance at a future date.

Sponsorship Agreements – Deloitte Consulting participates in an event or particular endeavor with an organization to build brand or eminence. Typically, Deloitte Consulting pays a fee to participate. There are no client pursuits or revenue expectations.

The Development of Teaming into an Alliance Relationship

Many times it makes business sense for an organization to team with Deloitte Consulting on a specific opportunity in order to pursue that opportunity. In these types of situations, a technology provider, for example could provide hardware or software, and Deloitte Consulting could provide the implementation and business advisory services to a client. The specific situation will help determine which party should be the prime in providing the services to the client.

A teaming agreement does not establish an Alliance, nor does it provide for Joint Marketing. The teaming relationship does not provide for either party to portray the other party as an Alliance member.

Most teaming agreements are opportunistic. When there have been a number of teaming agreements that produce significant results and both parties are willing to dedicate resources and time to a more formal arrangement – it may make sense to move from a teaming arrangement to an Alliance relationship.

We believe that most Alliances should start as teaming arrangements in which each party can understand how the other works, and gain experience working together in the market and at a client. In fact, when an Alliance business case is created at Deloitte Consulting, we ask whether there has been a history of teaming together.

What is the process for a teaming relationship to move to the next level: an Alliance with Deloitte Consulting?

First, a business case must be developed by Deloitte Consulting supporting the Alliance. Topics discussed in the business case include:

- The potential to generate revenue with the Alliance party
- A description of the value proposition and benefits to Deloitte Consulting as well as to other service areas of the Deloitte U.S. Entities
- A description of the go-to-market strategy
- Whether the Alliance opportunity is in conflict with other Alliances of the Deloitte U.S. Entities
- Whether the Alliance opportunity is properly resourced and funded by a Deloitte Consulting service area
- Whether there has been previous experience working with the potential Alliance party in the market place

Then the business case is presented to the Service Development Board Alliance Subcommittee of the Deloitte U.S. Entities for review. Upon approval, an Alliance agreement is negotiated and signed by both parties.

When an Alliance is established the following activities may then occur:

- Joint sales activity and joint account planning
- Joint marketing activity
- Joint solution development
- Allocation and investment of Deloitte Consulting resources for Alliance management, including training, marketing, or solutions development

Deloitte Consulting Alliance Value Criteria

As our Alliance program has matured, we have examined our most effective Alliances in order to identify the attributes that deliver the most value. The following attributes are common to Alliances that create high value for Deloitte Consulting:

- Alliances that create “multiplier effects” – where there is a multiple financial return for the investment made
- Alliances that create opportunities to develop “Sell-To”, and “Sell-With” relationships with Alliance parties
- Alliances that support and expand existing Deloitte Consulting service areas and industry segments in which we have made a strategic decision to grow or expand our market share
- Alliances that have the ability/intention to create a unique market offering that will drive incremental revenues, is repeatable, and that helps differentiate Deloitte Consulting in the marketplace
- Alliances that can benefit more than one of the Deloitte U.S. Entities
- Alliances that create opportunities for Deloitte Consulting to “test the waters” in the market without the commitment of a large amount of capital or resources

Critical Elements of Alliance Effectiveness

The single most important element that Deloitte Consulting has found in forming an Alliance is that there must be a common value proposition for both parties – a way that each can benefit as a result of the effort that is put into the Alliance relationship. Many early discussions focus on what value Deloitte Consulting and the Alliance party can bring to a client by working together, and how both parties are ‘rewarded’ for their time and financial commitment to the Alliance.

The ultimate test of an effective Alliance is, of course, our joint client. The client must see a value in our combined efforts – and believe that they would get a better value by working with us together than with each party separately. The value proposition also needs to be unique and differentiable in the market.

Why do some Alliances fail?

Deloitte Consulting has had a large number of Alliances over the years, and in addition to understanding what works, we also know what doesn't work. What does not work includes:

- Trying to establish an Alliance to win a big project during the proposal phase
- Creating an Alliance just so Deloitte Consulting's name can be used on a website or in a press release
- Undifferentiated offerings that cause a high degree of conflict with other Alliances
- Alliances that create minimal incremental revenue for Deloitte Consulting. However, this could be acceptable in the short term if there is a broader strategic purpose for the Alliance

Gartner study respondents confirmed that a single point of contact – and accountability – was absolutely crucial to a healthy Alliance¹. Companies faced with multiple contacts and little ownership reported growing frustration with their Alliances, leading to strain on the overall relationship and little chance for achieving the expected benefits.

In the past, Alliances were often used as a public relations tool, or a way to superficially deepen relationships with large clients. Such symbolic unions brought little or no value to either Alliance party and had no expectations for growth – and so failure was nearly guaranteed.

Apart from a central point of contact, the lack of a coordinated, comprehensive Alliance strategy has doomed many Alliances in the past. Consequently, many companies are beginning to pull the tactical control of Alliance relationships away from the field, centralizing them within the organization. Decisions that stem from such umbrella Alliance organizations are viewed with more confidence, and seen as having less chance for conflict and more manageable “co-operation”.

This research suggests that healthy, effective Alliances are founded on communication and mutual responsibility. A strong common value proposition, marketplace differentiation, and clear channels of communication all contribute towards the growth and development of an effective, dynamic Alliance relationship.

A Few Key Principles that Deloitte Consulting Believes are Important

First, some clients want independent assistance in determining a technology solution, and others want – even require – a “pre-defined” set of technology solutions and providers. We offer both independent and predefined technology approaches to our clients. We let the clients determine the approach we use to help them.

¹ The Gartner Group. *2003-2004 Alliance Best Practices Top Five Issues*. Christine Adams. Feb. 3 2004

Second, we prefer Alliance relationships with clients of Deloitte Consulting or suppliers to the Deloitte U.S. Entities. Deloitte Consulting values a larger relationship.

Third, we believe there is value in the time that we invest in establishing and developing service areas around Alliances and, consequently, that we should be recognized for this time by being designated as being among the preferred implementers of the Alliance solution.

Finally, Deloitte Consulting has very few, if any, “exclusive relationships” with a single Alliance party in a given market space. Deloitte Consulting recognizes that in a diverse and competitive market, our clients may choose to work with a number of software and hardware providers that compete with one another and we need to be able to support our clients’ decisions.

A Word About Independence

Because Deloitte & Touche LLP, one of the Deloitte U.S. Entities, and other member firms of Deloitte Touche Tohmatsu, provide attest services, Deloitte Consulting must perform due diligence on all third-party relationship candidates before entering into an Alliance agreement or other relationship to ensure compliance with Independence rules and regulations.

How Do You Get Started?

In Deloitte Consulting, each Alliance is owned by a service area or industry segment. To determine the appropriate contact to start your discussion about entering into a joint relationship with Deloitte Consulting, please contact Doug Tuttle, Director of Consulting Alliances or Tracy Todd, Strategic Alliances Manager.

They will help you identify a specific Deloitte Consulting Principal who would be willing to make a commitment to building a service offering around the relationship. You and that Principal will need to develop and articulate the value proposition and uniqueness of the Alliance, and determine how revenue will be generated for both parties. Together, you will need to define the alignment for the joint services that will be offered in the market place, ensure that there are no independence issues with regard to the relationship, and finally, develop a business case.

Effective Alliances offer benefits to both sides, creating unique strengths that can open opportunities both now and in the future. We welcome the chance to examine the potential for an Alliance relationship with qualified third parties.

The greatest journeys begin with a single step, so for more information please contact:

David Dortenzo
Principal
Director of Consulting Alliances
Deloitte Consulting LLP
ddortenzo@deloitte.com
+1 412 402 5180

Tracy Todd
Manager
Strategic Alliances Manager
Deloitte Services LP
tmccloskeytodd@deloitte.com
+1 616 336 7953

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Copyright © 2009 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu