



Starting an alliance

Guideline and principles
to establishing
an alliance relationship

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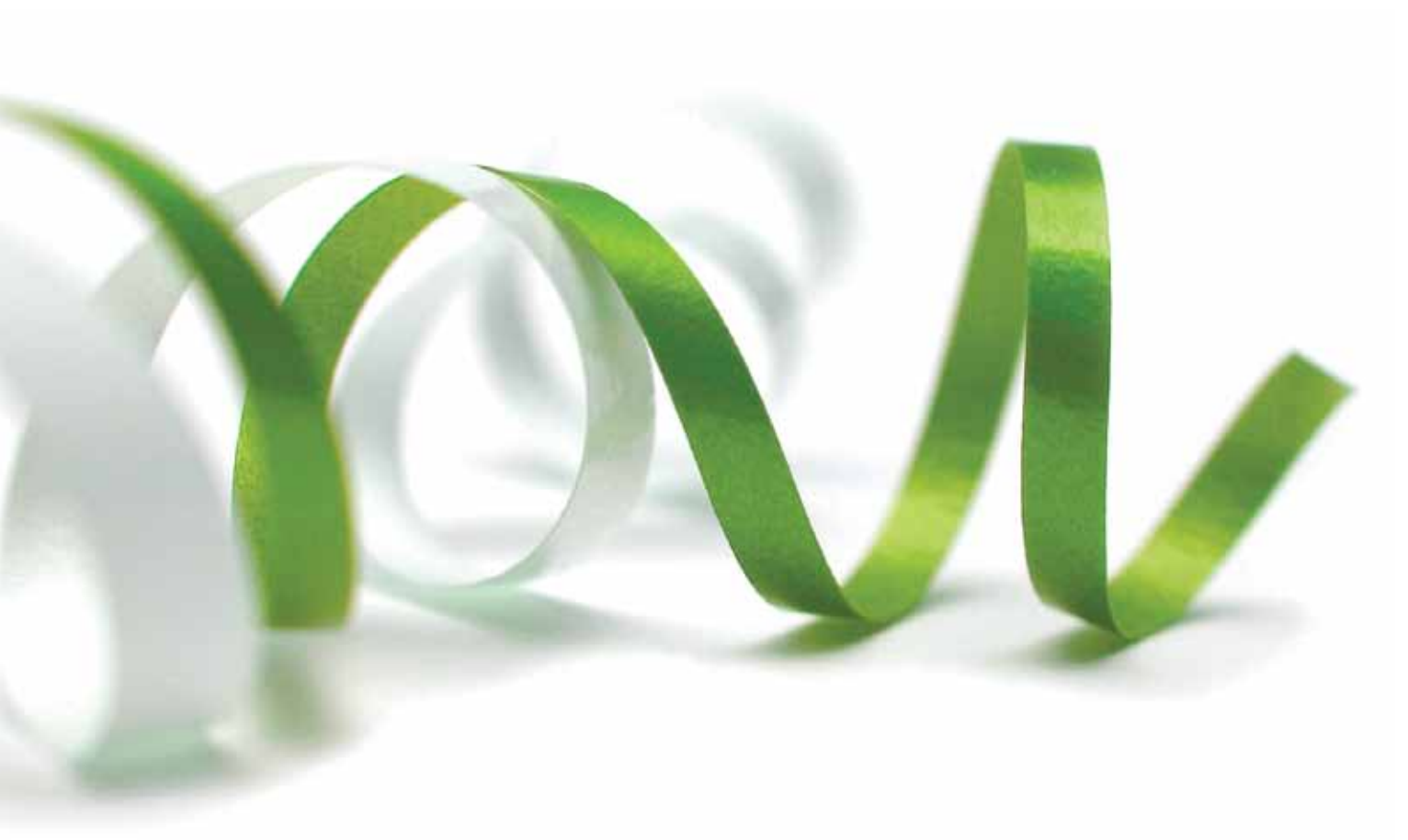
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You are considering this document for one simple reason: opportunity. An opportunity to explore new services, generate revenue, take advantage of increased capabilities, increase eminence, and gain access to expanded markets.

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 areas. 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. Many companies approach us to discuss possible alliance and go-to-market relationships. We need to make careful choices about the companies with which we align ourselves. This document will provide some guidelines and principles around the criteria we use to decide when we 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



We are highly supportive of the alliances program, recognizing the value that effective alliances can bring to both organizations and our clients. In the current market, our clients are looking for ways to save money while realizing increased 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 marketplace.

While we recognize the benefits of an alliance, we also understand that it must be *mutually* beneficial to develop, grow, and produce the results we both want.

Why create an alliance with Deloitte?

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

- We are adept at consultative selling to a broad spectrum of senior executives (CXO level)
- We understand the business implications of a solution, and help our clients look at their problems more holistically
- We are willing to make calculated investments of time and resources
- We are willing to train and build a dedicated service offering with strong potential for sustainable growth in subsequent years

An alliance must be mutually beneficial to develop, grow, and produce the results we both want

We have been recognized for the results created through our 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 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 or training
- Product or service offering development
- Marketing and branding

At Deloitte, we recognize that alliances will also assist us in providing more value to our customers.

An alliance is formalized by the legal agreement, which governs the specific go-to-market initiative that is agreed to by Deloitte and the alliance party. It may include provisions for training of Deloitte 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 may include 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.

Most alliance relationships start small, and may move to a larger alliance based on the growth, effectiveness and results of the relationship. We do 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. 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. We generally form an alliance around a specific technology, service or market.

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 we 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 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.

Sub-contractor – Deloitte contracts with an organization to supply services in a sub-contractor relationship for one or more engagements. The key value of this relationship is to provide resources to supplement or extend Deloitte’s offerings. This type of relationship is more focused on delivering projects, rather than driving revenue primarily, therefore it is generally handled by Deloitte’s National resource management group

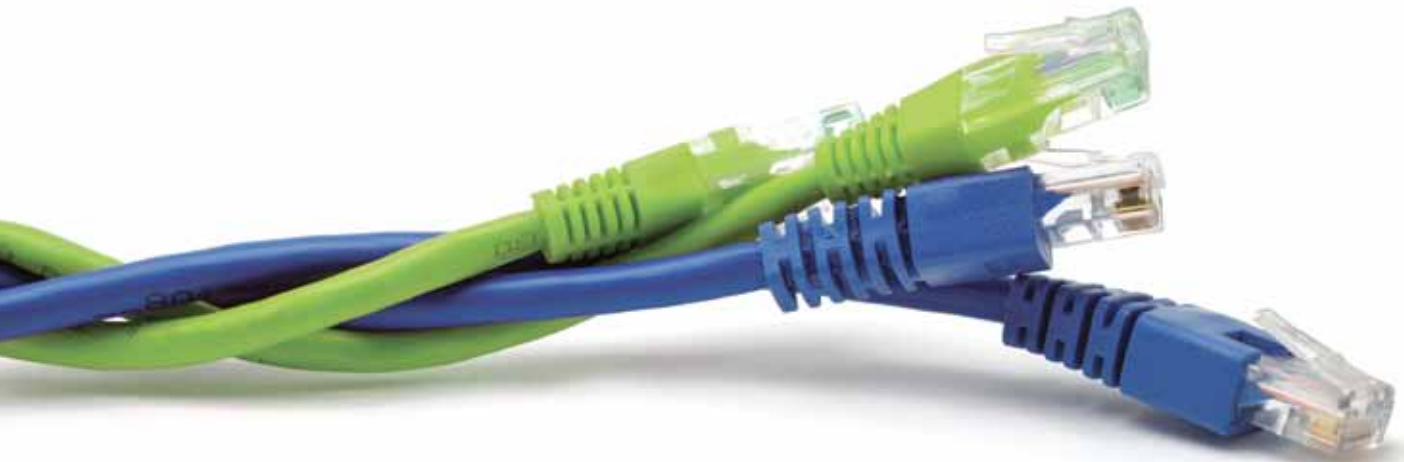
Teaming agreement – Deloitte contracts with an organization to respond to a specific client opportunity to be a prime or subcontractor. These teaming arrangements do not imply the creation of an alliance at contract time, nor represent a commitment to form an alliance at a future date.

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

Reseller relationships/agreements – Deloitte resells a particular hardware or software product to a client as part of a project engagement. This can be a one-off relationship for products as part of a specific solution or it can be part of an ongoing relationship.

The underlying belief is that if the parties work together, they will gain more than if they worked separately.

The development of a teaming relationship



Many times it makes business sense for an organization to team with Deloitte 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 we 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 as a client. In fact, when an alliance business case is created at Deloitte, we ask whether there has been a history of teaming together.

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Move from a teaming relationship to an alliance

First, a business case must be developed by Deloitte 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's consulting function as well as to other service areas
- A description of the value and measurement of value to the potential alliance party
- A description of the go-to-market strategy
- Whether the alliance opportunity is in conflict with other alliances of Deloitte
- Whether the alliance opportunity is properly resourced and funded by a Deloitte 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 Canadian Alliance Management Board 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 resources for alliance management, including training, marketing, or solutions development
- Assignment of partner alliance manager

Effective alliances offer
benefits to both sides, creating
unique strengths that can open
opportunities both now and
in the future.

Deloitte alliance
makes a difference



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 both parties:

- Alliances that support and expand existing Deloitte and alliance member's 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 helps differentiate us in the marketplace
- Alliances that can benefit more than one of the Deloitte's services
- Alliances that create opportunities to develop sell-to, and sell-with relationships
- Alliances that create opportunities to test the waters in the market without the commitment of a large amount of capital or resources

Alliance effectiveness

The single most important element 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 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.

Key principles

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.

We have very few, if any, exclusive relationships with a single alliance party in a given market space. We recognize 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 and other member firms of Deloitte Touche Tohmatsu, provide attest services, we 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 to start

At Deloitte, each alliance is owned by a service area or industry segment. To determine the appropriate contact to start your discussion about entering a joint relationship with Deloitte, please contact Ian Tait, Partner or John Sweeny, Director, Canadian alliance program. They will help you identify the appropriate Deloitte partner who may be interested in exploring a possible business relationship with Deloitte. You and that partner 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 marketplace, 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

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