Conference Keynote Summary

Partnering: The Connective Tissue of the Internet of Things

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Overview

The Internet of Things (IoT) is changing everything. Beyond the hype, the IoT is an enormous opportunity to create and realize tremendous economic value. It is transforming industries; changing products, services, and solutions; impacting business models; and changing internal operations.

Success in the era of IoT requires alliances with multiple partners, and the nature of these relationships will be extremely complex. Companies have to determine how the IoT will impact their business, what they must do to prepare, what business models make the most sense, and how value will be created and allocated with partners. This makes the role of alliance professionals of paramount importance, causing it to be an exciting time for the profession.

Context

Jonathan Ballon described the potential business value of the IoT and the role of partnerships and alliances in realizing this value.

Key Takeaways

The Internet of Things is happening and will affect every industry.

The Internet of Things is a big, scary term that means everything and nothing at the same time. It is about smart, connected devices that bring together astounding amounts of data. It is made possible by powerful computing capabilities, the economics and power of the cloud, and powerful narrow band networks.

The IoT is not about the future; it is already here. It exists in home and building automation, cars and autonomous vehicles, industrial equipment, drones, and much more. The IoT exists and will expand in manufacturing, agriculture, health care, consumer goods, and every other industry in all geographies around the world.

The IoT will create tremendous economic value.

Much of the hype surrounding the Internet of Things is excitement surrounding smart homes and is about the remarkable technological advances. However, smart homes might represent 10% of the total IoT opportunity, and the technology is just the tip of the iceberg. The real story is about the economic value that is going to be created and the industries that will be fundamentally transformed.

Analysis from companies such as McKinsey, Cisco, and GE all project that within a few years there will be at least 50 billion smart, connected devices. The potential exists for tremendous productivity improvements, and GE has estimated that $15 trillion in economic value will be created, with other firms offering similar projections.

“We can debate and argue how big it is economically, how many devices will be connected, and when they will connect. That’s missing the point. The point is, the opportunity is massive and we’re just getting started.”

—Jonathan Ballon

In the age of the IoT, partnering and alliances will be critical and extremely complex.

For many businesses, particularly technology companies, partnering has always been important. Historically, partnering was a one-to-one relationship, and relationships could get sticky around topics such as IP ownership, licensing, liability, and revenue sharing.

However, the complexity of those one-to-one partnerships is nothing compared to the complexity of alliances in the era of the Internet of Things. In developing solutions and bringing them to market there are often five to seven partners involved, and sometimes more. This dramatically adds to the complexity of defining the value proposition and the business model, and dividing up the value that is created.

Multiple use cases were shared that illustrated this complexity, including agricultural examples involving winegrowers in Germany and rice farmers in Malaysia. In these examples, sensors gather information about the nutrients in the soil, the amount of water, and the amount of sunshine. Information can be accessed that predicts weather conditions. Winegrowers and rice farmers alike can access relevant data at any time via apps on their smart phones. This data can enable better decision making to improve yields and profits.

Experience in Malaysia has shown that rice farmers can double their output within six months while using 10% less water.

Solutions such as this involve multiple partners including:

- Sensor vendors
- A silicon manufacturer (in this case, Intel)
- Software running on the silicon
- An original design manufacturer (ODM)
- A systems integrator
Intel finds itself partnering with a wide range of people and entities that previously seemed unimaginable, including government agencies, startups, venture capitalists, standards bodies, physicians, farmers, and more. With the range and complexity of partnerships, and with partners having different capabilities, there are no clear lines and coopetition is the new normal. The importance and complexity of partnerships in creating and realizing economic value from the IoT makes this a great time for alliance professionals.

“I don’t think there has ever been a better time to be an alliance professional because the opportunity presented by the Internet of Things showcases the value of this function.”
—Jonathan Ballon

Alliance professionals must realize that customers are in the driver’s seat. Customers now have more of a seat at the table than ever before. Customers have moved the IoT conversation out of the IT domain, and it now involves a confluence of operating technology and business technology coming together.

In working with customers, what is being developed and provided is not a simple standalone product or service; it is an end-to-end solution and value proposition that integrates with an entire ecosystem.

About 15 years ago a McKinsey article talked about the idea and value of a “network orchestrator.” In complex relationships, there was typically one company that served as a “super partner” that sat at the center of the relationships and orchestrated the entire ecosystem. What is happening now is that the center and the orchestrator changes on a customer-to-customer or a solution-to-solution basis, depending on the circumstances.

In contemplating how to play and succeed in the IoT, there are several important considerations.

Important questions to be answered include:

- How will IoT impact your business? For many businesses, the impact is profound and is changing everything, including products, services, business models, and internal operations.
- How are you creating value? It has to be related to orchestrating the customer experience.
- How are you experimenting and learning? This requires the agreement from management to engage in rational experimentation and take some risks.
- How is value being delivered? Increasingly customers don’t just want a solution that is delivered on a one-time basis. They want partners to provide turnkey solutions and to manage them on an ongoing basis.
- What are the business models?
- What are the partnership models?
- What are the strategies for partnering internally with other groups and functions?
- What are the compensation models?
- How is value being captured in an ecosystem with multiple players?
- How are financial rewards being allocated among the value chain participants? How is value calculated and divided?

“How will the Internet of Things impact your business? For my company, it is profound. We think IoT is the future of the company. It changes everything ... We have acknowledged that this is the key to our success and are figuring it out ... I challenge you to take these questions to heart.”
—Jonathan Ballon
Partnering: Connective Tissue or Achilles’ Heel of the Internet of Things?

Jonathan Ballon describes a digital transformation of organizations made possible by the Internet of Things—and underscores partnering’s crucial role in fulfilling the IoT’s human, societal, and business promise. Indeed, realizing the transformative effects Ballon describes takes an ecosystem of agile partners working together in an orchestrated yet open model. It’s a brave new world.

Many companies by now are well-versed in one-to-one partnering. Some are developing their multi-partner muscle. But not many can honestly say that partnering is fully ingrained in their corporate DNA—top-to-bottom, end-to-end, from strategy to operations to last-mile execution. It takes this level of integration and capability to partner at the speed, scale, and scope required by IoT solutions. Vast numbers and types of “things” need to “talk” to other “things.” Gargantuan volumes of data must be gathered, processed, and connected into transformative—and actionable—insights. No one company can do it on its own.

The IoT requires ecosystem partnering capability. And to add to the complexity, every customer scenario may require a different mix of partners and a fit-for-purpose business model. The business, leadership, organizational, and human risks of partnering are magnified exponentially.

It isn’t just the Internet of Things that requires next-generation partnering capability. Across industries and sectors, virtually every company now must partner at greater scale, and in more complex arrangements, to access innovation and accelerate growth.

Partnering in the Connected Ecosystem Era

Success in ecosystem partnering is not happenstance—it takes careful design. Three components—strategy, governance, and execution—must work together seamlessly to give your organization the partnering capability it requires today.

Robust, Aligned Strategy

An explicit partnering strategy aligns with corporate strategy and business unit priorities. It drives resource allocation, supporting the core business with the right mix of partners. There must be room for experimentation, placing bets to seed future opportunities, and testing new business models. Smart business strategists now recognize many reasons to partner—including finding unexpected partners that offer access to innovation or markets, enhanced customer experience, or other forms of value.

Scalable Operations through Governance

The role of the alliance function is evolving. Call it “über-governance.” Partnering is indeed everywhere—it happens in every corner of the business. Now it’s simply not possible to involve a partnering professional in every partnering situation, if indeed it ever was. Instead, companies on the leading edge of partnering practice are building an end-to-end governance process. This integrates and embeds partnering across the overall business—not just product development and customer-facing operations and sales, but also in the underlying business infrastructure and, of course, corporate strategy. Now, as its new core responsibility, the alliance function must lead and manage this process—driving experimentation with partners and partnering models, opening the door to innovative, nontraditional new partners, and as always taming risk and complexity. This “über-governance” process takes a holistic look across the portfolio, often across business units, driving accountability, and constantly looking for levers that will accelerate growth.

The Ability to Execute

It has never been truer that everyone needs some alliance skills. They also need an appropriate mindset and the tools to effectively execute partnering strategy. To an outsider, it looks simple. But partnering execution is as hard as it gets. Just ask anyone who has ever tried to: align organizations with different objectives around a common purpose; understand motivations to create a path to achieving true interests; look to get appropriate prioritization and resources for a partnered project; get decisions made; gain access to expertise; protect intellectual property; build rules of engagement in the field; and manage competition with a partner. Yet another core responsibility of today’s alliance function: partnering internally with HR, corporate and organizational development, and communications, as well as legal and finance, to build execution capability.

Partnering: Achilles’ Heel or Connective Tissue?

Is your company ready for the scale, speed, and extent of partnering required to be successful in this era? Partnering is the connective tissue of the Internet of Things—and of all business in the connected ecosystem era. If your ecosystem capability is insufficient to the task, partnering might be your Achilles’ heel—the exposed and unprotected weak spot of your organization—leaving it unable to create, deliver, and capture value for customers, shareholders, partners, and/or society. As alliance professionals, you must provide your executive suite with a roadmap across the new partnering landscape—and the leadership to build and manage “partner everywhere” capability across the business.

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