

## The BT Partnership Evaluation Model: optimising partnership value by building an always-open two-way street

“BT DEFINES A PARTNER AS A CAPABLE COMPANY WITH WHOM WE JOINTLY INVEST TO UNDERSTAND AND EXPLOIT MARKET OPPORTUNITIES IN ORDER TO CREATE WEALTH.”

Glenn Edwards, Head of Procurement Policy, BT

### Executive Summary

#### CUSTOMER NAME

- BT

#### INDUSTRY

- Service Provider

#### BUSINESS CHALLENGE

- BT's success hinges on its ability to select the right partners and, equally importantly, to nurture and grow those relationships. In recognition of that fact, the BT Partnership Evaluation Model (PEM) not only objectively benchmarks the quality of BT's partnerships with its key suppliers but also directs a bi-lateral continuous improvement plan.

#### BUSINESS SOLUTION

- The PEM process uses an interview programme to measure the relationship across 12 elements. Once complete, a gap analysis is produced and ownership is agreed where action is required. An improvement programme is followed by a second review to measure improvement and hand the process over to business as usual.

#### BUSINESS VALUE

- The PEM engagement generated powerful shifts in customer facing elements – a prime focus of the strategic alliance between Cisco and BT – and supported the development of a joint go-to-market (GTM) strategy. It also strengthened the underpinnings that would allow the two companies to deliver on their promises.

Originally developed around five years ago to boost major sales outcomes, BT's Partnership Evaluation Model (PEM) has become an industry-leading methodology for improving a company's key strategic partnerships. The highly effective strategic alliance between BT and Cisco is testimony to the world-class partnering skills of both companies. The PEM process has not only put that alliance onto a firmer technical and commercial footing but has also provided solid input to the BT and Cisco partnership support teams as they drive the alliance forward and explore new areas for co-operation. As a case study into the power and effectiveness of the PEM process, the engagement between BT and Cisco Systems in 2004 has relevance for companies in any sector where partnerships are critical to business success.

### BUSINESS CHALLENGE

One of Europe's leading service providers, BT's principal activities include providing national and international telecommunications services, broadband and internet products and services, and global IT and networking services solutions – as well as network services for other licensed operators. Across the globe its clients include thousands of multi-national enterprises and national administrations.

In an intensely competitive business market place, BT has to differentiate itself from low-priced providers of commodity products by promoting value added aspects of its offer such as management capability, service quality, global reach, and systems integration and technological expertise.

Its success in that endeavour is evidenced by the many major – and very public – global IT and networking outsourcing deals that it has recently won. But industry insiders know that no service provider alone can put together the solutions packages needed to meet the demands of global corporations and government departments.

BT's success then hinges on its ability to select the right partners and, equally importantly, to nurture and grow those relationships. Glenn Edwards, Head of Procurement Policy at BT, explains: “BT defines a partner as a capable company with whom we jointly invest to understand and exploit market opportunities in order to create wealth.”

In recognition of the criticality of partnerships to BT, Glenn Edwards created the Partnership Evaluation Model (PEM). A world-leading process, PEM not only objectively benchmarks the quality of BT's partnerships with its key suppliers but also directs a bi-lateral continuous improvement plan.



Prepared by Cisco Systems, Inc.  
Internet Business Solutions Group

## BUSINESS SOLUTION

Engaging in a PEM review with BT is not compulsory: the exercise is undertaken solely on the basis of the joint benefits to both companies. As Glenn Edwards says: “This is not something that you must do, and we certainly don’t do it with all the suppliers we work with. But if there is a proven strategic fit between two companies it is just common sense to work hard at extracting the maximum value from the relationship.”

The PEM process uses a thorough interview programme conducted by BT procurement professionals to measure the relationship across 12 top-line elements:

- |                               |                         |                      |
|-------------------------------|-------------------------|----------------------|
| • Business fit                | • Cultural fit          | • Project Management |
| • Trust                       | • Innovation            | • Financial          |
| • Competitive Differentiation | • Sustain/Exit Strategy | • Risk Management    |
| • Delivery                    | • Commercial            | • Technical          |

Each of those top-line elements is subdivided. For example the Technical dimension has 12 subdivisions including Conformance, Leading Edge and Solutions Implementation. Each element is scored on a scale of zero up to seven (where four is regarded as the benchmark and seven is rated as world-class).

Once the interview programme is complete, a gap analysis is produced and a top-level meeting is held to agree action and ownership in areas where improvement is required. The action plan is even handed. For example, if there were a perceived lack of trust, it would be the fact that trust did not exist that would be the challenge for the partners to address: not who was to blame. Programme management ensures that matters are kept on course and, some six to 12 months later, a second formal review is carried out to measure the improvements achieved, followed by a closure meeting to hand the process over to business as usual.

### Learning and adapting

When the idea of a PEM review was first suggested to Cisco in 2002, it must be said that the initial reaction was not a completely positive one. Syd Garrett, Director of Corporate Quality for Cisco in San Jose, recalls: “At first there was misunderstanding. To be honest, the first Cisco people approached by BT did not think that we had much to learn on the topic of how to partner. They politely told BT that we were not interested.”

In fact, a BT Cisco partnership was already in existence, although those close to it perhaps saw it more as a customer/supplier relationship. For example, there was a BT view that it was regarded by Cisco as just another channel to market. Equally, Cisco saw BT as over-cautious in its decision-making.

After much frank discussion it was decided that there would be value to both companies in the PEM going ahead. Syd Garrett continues: “Glenn Edwards explained that the PEM approach was not a traditional audit but more a joint evaluation of the relationship. It quickly became apparent that BT learns from, and adapts, the PEM process based on feedback from its partners. For example, we found the formal PEM methodology to be counter-cultural, but between us we developed a more collaborative approach that paid big dividends in terms of mutual understanding.”

Glenn Edwards picks up that point: “BT does not claim to have a monopoly when it comes to partnership understanding. PEM is simply about learning how two companies can work better together. It’s true to say that we learned as much from Cisco’s people as they learned from us, and the PEM process has improved as a direct result.”

A first PEM report was presented jointly to BT and Cisco in June 2003 effectively setting the baseline against which later improvements in the relationship would be measured. Following 12 months’ hard work by both companies, the second PEM report was presented in June 2004.

A strategic alliance between BT and Cisco was publicly announced in June 2003 around the time that the first PEM report was being presented. Jane Vose, Cisco Partnership Director at BT, explains: “A lot of hard work at all levels went into the creation of the strategic alliance, and we were able to leverage the early outputs of the Partnership Evaluation Model in understanding what needed to be done in a practical sense. The discussions around innovation were particularly enlightening and we have continued to develop those conversations as we take the alliance into new areas.”

## BUSINESS VALUE

Tellingly, the second BT Cisco PEM report presented in June 2004 showed powerful shifts in customer facing elements, a prime focus of the strategic alliance. These included the Competitive Differentiation and Technical areas, which both moved substantially higher. Innovation and Financial were also well above industry norms. Of the eight other elements, only three were identified as requiring further work.

However, those top line achievements mask some radical changes in the relationship that can be directly attributed to the PEM. For example, Cisco's Internet Business Solutions Group (IBSG) exists to help its customers succeed in the e-transformation of their businesses and, for service providers, it also helps drive new revenue streams. It emerged that it was felt that Cisco should increase its IBSG focus on BT and – as a result – Eme Dean-Lewis, a senior IBSG service provider sector consultant, was dedicated to work solely with BT.

Another fundamental shift in the relationship was the development of a joint go-to-market (GTM) strategy. Jane Vose says: "The GTM strategy was already on the table when the PEM started, and IBSG provided great support in helping to steer and focus the discussions." Eme Dean-Lewis adds: "I was able to assist in the reconciliation of differing viewpoints emerging from the PEM and to act as a co-ordinator in moving forward PEM-originated marketing and sales initiatives."

Equally importantly, the PEM was able to strengthen the underpinnings that would allow the two companies to deliver on their promises. Dale Millar, BT Regional Sales Manager at Cisco, who was closely involved in the PEM, says: "PEM is a great way of finding out what a partner's true needs are in a non-confrontational manner. Cisco learned more about working with a service provider. As a result we are able to build better propositions that cover the entire customer continuum. BT is selling much more of the Cisco service portfolio, and we've seen large increases in revenue from LAN and new wave technologies. That improves the results of Cisco and BT, and our customers gain too."

The first PEM specifically recommended that Cisco should increase its focus on product maturity. Rob Reeves, who at the time of the PEM was Data and IP Solutions Manager for BT Procurement, says: "One of the fundamental benefits of PEM is that it enables one to get beyond the respective account teams, and really understand what makes each company tick. BT, as a carrier, expected products to arrive 100 per cent problem free. Cisco, on the other hand, had a fast-time-to-market mindset and its approach was to continue to improve its products in the light of experience in the marketplace. We now have better bi-lateral quality regimes that benefit our customers as well as meeting the aspirations of both companies."

## PEM IN PERSPECTIVE

PEM had its genesis in the late-nineties when BT seemed to be winning less than its fair share of the business that it bid for. Since the vast majority of its bids needed the support of a partner company – and since at the time there was very little science in the way that BT chose and maintained its partners – Glenn Edwards moved to address the issue of partnership.

Glenn says: "I worked with industry standards bodies and academia to distil the true essence of commercial partnership. The Partnership Evaluation Method came out of that work, as a way of benchmarking a relationship against a clear partnership definition. In designing a way of then enhancing that partnership quality, I drew on the continuous improvement principles of Dr Edward Demming, which have stood the true test of time."

The PEM process was piloted and refined on some 20 systems integration companies, who featured on the original BT partner listings. Glenn recalls: "As a result of the PEM initiative, we improved some of those relationships and, to be frank, some were managed out. BT's bid results started to improve: there's no doubt that PEM made a major contribution to that turnaround. It's true to say that originally PEM was something that BT 'did unto others' but, in particular, the Cisco PEM engagement taught us that a superior approach is to make the exercise more of a two-way street. That's not to say that one takes away any of the 'edge' from PEM but it's resource intensive and we're always open to finding ways to extract more value from the exercise."

Now, BT conducts around two PEM engagements per annum. Although once complete the process is handed back to the relationship directors as business as usual, Glenn's team is occasionally invited back to lend further advice and assistance.

In conclusion, Syd Garrett says: "PEM is about ferreting out areas where there may be differences of opinion and culture; identifying strong linkages and commonalities; and building upon those strengths to address the areas of weakness. And doing all that in an atmosphere of total openness and honesty. There's no doubt that the BT Cisco PEM review was very worthwhile. In my opinion it marked a turning point in the BT Cisco relationship – a firm foundation upon which we are continuing to build."

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## MORE INFORMATION

For further information on Internet business solutions, visit <http://www.cisco.com/go/ibsg>

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