Gartner Research

GMs: Drive Growth via an Effective Ecosystem Strategy

Michael Hong

12 August 2024

Gartner

GMs: Drive Growth via an Effective Ecosystem Strategy

12 August 2024 - ID G00817314 - 11 min read

By Analyst(s) : Michael Hong

Initiatives : General Manager Leadership and Execution; Create Differentiated Tech Service Offerings

Successful general managers drive growth through effective ecosystems that capitalize on innovations. They execute via an ecosystem effectiveness framework that delivers client value. This research provides a framework that can be used to build a customized, effective partner ecosystem.

Overview

Key Findings

- Partner ecosystems play an increasingly crucial role in driving client outcomes and revenue growth. However, not all partner ecosystems lead to increased sales. The ones that do offer access to new channels, intellectual property, scalability and cross-selling/upselling opportunities.

- Although many providers develop partner ecosystems, not all prioritize serving end clients. Instead, they focus on meeting sales quotas. According to a Gartner survey, providers fail to maximize ecosystem effectiveness due to a lack of shared vision for client outcomes, resulting in a lack of trust.

- Ineffective ownership and communication hinder the benefits of ecosystems. Gartner’s survey revealed that only one in five partnerships are owned by business executives, with the rest being owned by IT, leading to suboptimal results.

Recommendations

- Pursue partner ecosystems that are additive to existing revenue portfolios. Example partner types include platform-aligned services, service line extension, provider with industry partnership and incubating a partner to then acquire.
- Prioritize partner ecosystem activities that focus on delivering desired outcomes for clients. Start by identifying specific client challenges, and collaborate with partners to develop solutions. Craft a value proposition for the partner ecosystem based on the unique contributions each party brings to addressing client needs.
- Implement a customized operating model that clearly defines roles, assigns relationship owners and establishes easily replicable processes to facilitate collaboration, communication and coordination. This comprehensive approach enhances the ability to leverage partners in creating new value for clients, ultimately leading to opportunities for additional revenue growth.

Analysis

Ecosystems provide client enterprises with access to resources, talent, infrastructure, technology and capabilities, enabling scale and quicker expansion. However, not all have proven to be revenue-generating. Limited shared vision of client outcomes and lack of business executive ownership of relationships are among the reasons providers fail to realize targeted benefits. To be successful, general managers of technology and service providers must co-create with partners for end-client outcomes and execute the requisite operation model and processes.

Seven Successful Ecosystems You Need to Know

Providers with successful ecosystems have seen a positive impact in one or more revenue sources:

- **Service offerings:** Sales of enabling services, technology, innovations and intellectual property (IP) that can include accelerants (i.e., solutions) that reduce upfront capital investments and time to market
- **Access to new clients:** Can be adjacent to existing markets
- **Scale:** Expansion of markets via immediate resources (e.g., staff, IP and technical solutions)
- **Sustained scope:** Extension of accounts to downstream repeating business

- **Increased competitiveness:** Manifested from any of the above that helps secure new work
- **Cross-sell/upsell:** Maximize sales throughput and customer retention at minimal additional cost of sales

The varying degree of impact is illustrated by Harvey Ball ratings in the table below. The most prevalent model involves providers that focus on consulting, implementation/integration and managed services of a third-party platform (e.g., Deloitte Consulting for SAP services that has resulted in billions of dollars of revenue to date). Providers have also found success developing preconfigured solutions (i.e., tools) for third-party platforms (e.g., Accenture's myConcerto and Liquid Studios for SAP solutions).

Table 1: Seven Provider Ecosystem Types With Degree of Impact on Revenue Source

(Enlarged table in Appendix)

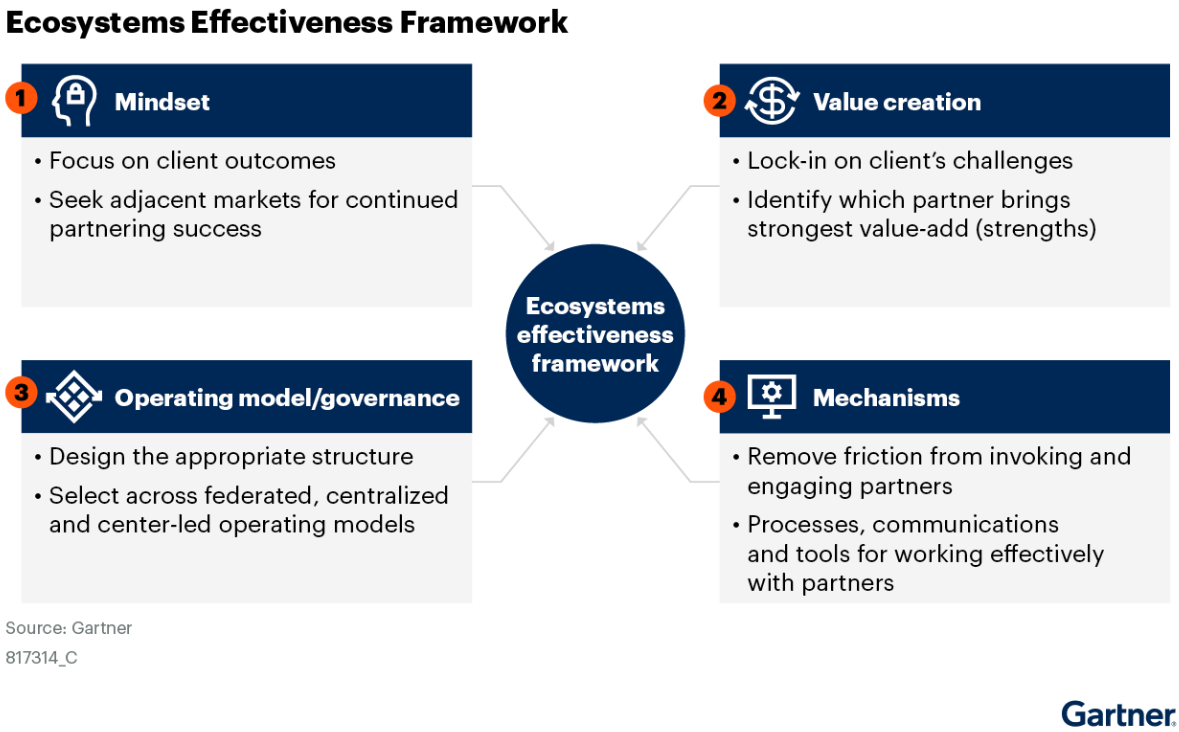
Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
Platform-aligned services	▪ Most pervasive; provider implements and/or integrates technologies ▪ Often takes a transformation approach for greater end-client impact (e.g., Accenture or Deloitte's SAP and Workday practices and offerings) ▪ Includes tools built on the platform (e.g., EY's SAP Intelligent Transformation Platform)	●	●	◑	◕	◔	◕
Service line extension	Offering added capabilities — either upstream (e.g., strategy services) or downstream (e.g., implementation services) — that increase sales opportunities (e.g., PwC's Unified Sustainability Hub)	●	●	○	◕	◔	●
Common innovation architecture	Collaborating with vendors, academia, technology startups and other partners for co-creation and joint go-to-market (e.g., Capgemini Invent)	●	◑	◔	◔	◕	◕
Provider and + industry	Joint capabilities used to build solutions for transformation and/or innovation (e.g., Boston Consulting Group with Merck to leverage AI to enable discovery of drug targets)	◑	●	○	◑	◕	◑
Incubate and acquire	Partner with startups to innovate, enable the partner to scale, and then seek to acquire (e.g., NTT Data has applied this approach many times)	●	◔	◑	◑	◑	○
Capability divestiture	Build a platform-centric solution and then sell it to the platform, cementing a long-term partnership and services-related capture (e.g., EY sale of its ServiceNow solution where deployment requires services best-suited for EY)	○	●	○	◕	◔	◕
Additional (traditional) arrangements	▪ Span augmentation of one's workforce and skills that invoke services of a partner firm, often at reduced rates ▪ Can lead to competitive rates for bid ▪ Can also lead to a percent of transactions or percentage of achieved annual contract value captured by the provider (e.g., SAP and Workday)	○	◑	●	◔	○	◔

○ = No impact to revenue growth
◔ = Low impact
◑ = Moderate impact
◕ = High impact

Effective Partner Ecosystems Require a Holistic Framework

General managers must ensure partner ecosystems are designed and executed effectively to achieve incremental growth. Simply establishing a partnership does not guarantee results. A review of seven successful provider ecosystems reveals common characteristics (see Table 1). These are focused on solving clients' challenges by co-developing solutions that result in incremental value-add for clients. General managers of technology and service providers must have the right mindset to successfully apply this holistic effectiveness framework (see Figure 1).

Figure 1: Ecosystems Effectiveness Framework



1. Mindset

General managers must establish and operate according to key mindset principles:

- **Create a Joint Partnering Mindset:** This is critical because it shapes thoughts, behaviors and actions. Instead of wanting to simply innovate faster and fill a sales pipeline, general managers must look to lock-in on business outcomes.
- **Build Trust:** Trust is another crucial mindset and is achieved through an equitable relationship. General managers must not leverage size, scale or relationships they own to exert unwanted influence over others. Anyone who feels dominated most likely will lose interest in and exit an ecosystem relationship. For example, general managers at NTT Data work to help incubate smaller firms they partner with, which results in long-term, value-creating relationships.
- **Enable Adjacencies:** General managers must explore adjacent areas to ensure continued success. This can require pivoting to a new market or augmenting a co-development solution and/or developing an entirely new one. One leading global provider continually challenges partners to identify, "Where else can we port our proven value proposition?"

2. Value Co-Creation

Key steps to developing new value for clients include:

- **Start From Client Challenges:** Understand client challenges and anchor on a co-created value chain to deliver customer outcomes. Achieve this by aligning on the client's challenges (e.g., problems and requirements) and then working backward to identify steps to design and/or build solutions to address them.

- **Align on Individual Strengths:** Co-design the solution, mapping a (high-level) workflow. Along the chain, identify which partner owns what scope and brings value-adding strengths, and seek opportunities to accelerate outcomes.

3. Operating Model

- **Develop the Ecosystem Operating Model:** This is a structure for partner performance —- federated, centralized and center-led. Decide whether a dedicated function is required or if individuals filling roles is sufficient, especially at the outset of ecosystem formation. Structural options span centralized, center-led and federated — center-led being a hybrid between centralized and federated.

Table 2: Ecosystems Structural Options With Benefits and Risks

(Enlarged table in Appendix)

Type	Description	Benefits	Potential risks
Centralized	Functions and processes controlled and coordinated by a central body that has decision-making authority and establishes and enforces partnering policies. This model prioritizes efficiency and consistency.	▪ Standardized partnership processes (e.g., vetting, onboarding, and risk and performance management) ▪ Ability to emphasize strategic relationships; deep awareness of specialized partners, which leads to improved service for clients ▪ Information flows more rapidly ▪ Economies of scale	▪ Can become a bottleneck for decisions (e.g., partner agreements) ▪ Can limit agility and ability to customize to localized end-client needs or, especially, one-off requests
Center-led	Hybrid approach of centralized and federated. Decision making decentralized but central body (e.g., center of excellence) exists to establish vision, policies and standards for consistency. Individual businesses or regional units have autonomy to manage day-to-day activities. Commonly used by large multinationals that balance local responsiveness with control.	▪ Consistent practices that reduce errors and makes it easier to foster critical relationships ▪ Ability to execute strategies to mitigate agreement risks ▪ Agile to adapt to local needs while adhering to corporate guidelines rapidly	▪ Potential to digress to unwanted federated practice ▪ Requires ability to govern policies with control from afar and strong internal communications ▪ Tends to lead to unwanted redundancies in partners
Federated	Entirely decentralized; policies are defined individually by ecosystem relationship owners at point of execution. Allows for high flexibility and adaptation to local conditions while working to maintain strategic alignment and leverage of shared resources and capabilities. Decision making is distributed to all business units, regions or subsidiaries.	▪ Enables rapid movement; individual aspects ▪ Field-level (e.g., critical when working with some, such as Amazon Web Services [AWS])	▪ Limited governance can lead to unsanctioned partnering activities. Highest degree of risk to the enterprise (for example, poor partner performance, data/security risks and branding)

Source: Gartner (August 2024)

There is no one-size-applies-everywhere structure. General managers must adopt the model that fits best with respective corporate culture and governance approaches. For example, organizations that are accustomed to executing decentralized operating models while still maintaining the required level of governance should consider adopting federated approaches as opposed to a centralized model.

4. Mechanisms

Design and institute repeatable processes to ensure partner performance, to identify and mitigate risks, and to create environments that allow you to engage partners seamlessly. Below are key mechanisms to develop.

- **Establish Agreements:** Develop agreements that are flexible and mutually beneficial. These agreements should align interests of both parties and outline desired outcomes, performance metrics, period of performance, service levels and incentives.
- **Assign Ownership:** Assign a direct-side (activities for delivering services, such as consulting) executive as owner of the partner relationship, and pair with a representative from the indirect-side (e.g., supporting function, including supply chain or IT) for transactional, day-to-day relationship management responsibilities.
- **Assess Scorecards:** Establish a scorecard that measures the partner's performance and risk. Measures must include those that trace back to delivering client outcomes. General managers at a leading global provider track the amount of new intellectual property deployed on client engagements and incorporate input from clients on partner performance ratings.
- **Fund Strategically:** Focus on both shorter-term (e.g., immediate innovation) and longer-term (e.g., R&D) investments. NTT Data's global R&D center focuses on multiyear research efforts and incubates startups, while ecosystem partnerships are formed to focus on solving immediate client challenges. Overindexing on only one or the other can lead to missed market opportunities.
- **Design the Taxonomy:** Assign a grouping based on criticality (e.g., Tier 1 partner equals highly strategic to securing a high volume of recurring revenue; Tier 3 equals opportunistic/transactional; and so on). Track key metadata, including type of firm (e.g., startup, global enterprise or hardware provider), core competencies, size, industries of strength and geographic reach. Taxonomy enables speed and ease of partner invocation.
- **Communicate:** Use outputs from the business architecture exercise to communicate the partnership value proposition internally, as well as externally to the market. Develop how-to guides for your firm so that co-workers can quickly understand when to invoke a specific partner.

Effectiveness Framework in Action

Leading global services providers effectively leverage partner ecosystems, including platform-aligned services, service line extension and common innovation architectures. A key factor in their success is their commitment to engaging with partners to co-design tailored solutions that address client needs.

> The provider proactively shares account growth plans and key client relationships to foster transparency and trust. The global supply chain team develops a partner taxonomy, categorizing partners and establishing agreements through a center-led operating model. Senior-level business line executives lead relationships with the company's top 25 partners, with day-to-day support from the supply chain team for relationship management activities.
>
> Balanced scorecards incorporate feedback from clients on partner performance, which are reviewed on a quarterly to semiannual basis. During build-versus-buy analysis, teams consider options to engage partners. Town halls and proactive newsletters highlight partnership success and inform teams about new additions to the ecosystem.

Conclusion

Partner ecosystems offer providers significant growth opportunities and are increasingly crucial in light of rapid technological advancements and innovations. Clients now demand best-of-breed solutions, making it imperative for providers to strategically engage in ecosystems.

Gartner has identified seven distinct partner ecosystem types to assist general managers in incorporating them into their business strategies and operating models. Among these types, platform-aligned services and service line extension have proven to be the most effective in generating incremental revenue.

To fully benefit from ecosystem initiatives, providers must collaborate closely with partners to deliver value-adding client outcomes. This involves designing a fit-for-purpose operating model and implementing repeatable mechanisms to ensure partner performance and to mitigate risks. The benefits of engaging in partner ecosystems include the potential for added scope and scale on client programs, as well as the opportunity to rapidly expand into new markets.

Evidence

[1] **2022 Gartner Digital Business Ecosystem Survey.** This study was conducted to clarify the extent to which organizations are currently involved in, or seek to be involved in, activities to enable digital business ecosystem partnerships. It also details the barriers associated with engaging in healthy digital business ecosystem partnerships and the manner by which activities are conducted within these partnerships. The research was conducted via online sampling during April 2022 among 354 respondents from across all industries and company sizes within the U.S., the U.K., Canada and Australia. Respondents were screened to be at the director level or above, with visibility into the presence and features of their organizations' digital business ecosystem partnerships. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

Tech CEOs: Attract Partners by Pitching a Stronger Value Proposition

Increase Revenue Velocity by Orchestrating a Buyer-Centric Partner Ecosystem

Build Alliances to Thrive in Business Ecosystems

Relationship Advice for Digital Business Ecosystems: It Starts With Trust

Table 1: Seven Provider Ecosystem Types With Degree of Impact on Revenue Source

Type	*Description*	*Offerings/IP*	*Clients/channels*	*Scale*	*Sustained scope*	*Increased competitiveness*	*Cross-sell/upsell*
Platform-aligned services	▪ Most pervasive; provider implements and/or integrates technologies ▪ Often takes a transformation approach for greater end-client impact (e.g., Accenture or Deloitte's SAP and Workday practices and offerings) ▪ Includes tools built on the platform (e.g.,	●	●	◑	◕	◔	◕

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
	EY's SAP Intelligent Transformation Platform)						
Service line extension	Offering added capabilities — either upstream (e.g., strategy services) or downstream (e.g., implementation services) — that increase sales opportunities (e.g., PwC's Unified Sustainability Hub)	●	●	○	◕	◔	●

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
Common innovation architecture	Collaborating with vendors, academia, technology startups and other partners for co-creation and joint go-to-market (e.g., Capgemini Invent)	●	◑	◔	◔	◕	◕
Provider and + industry	Joint capabilities used to build solutions for transformation and/or innovation (e.g., Boston Consulting Group with Merck to leverage AI to enable discovery of drug targets)	◑	●	○	◑	◕	◑

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
Incubate and acquire	Partner with startups to innovate, enable the partner to scale, and then seek to acquire (e.g., NTT Data has applied this approach many times)	●	◔	◑	◑	◑	○

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
Capability divestiture	Build a platform-centric solution and then sell it to the platform, cementing a long-term partnership and services-related capture (e.g., EY sale of its ServiceNow solution where deployment requires services best-suited for EY)	○	●	○	◕	◔	◕
Additional (traditional) arrangements	▪ Span augmentation of one's workforce and skills that invoke services of a partner firm, often at	○	◑	●	◔	○	◔

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell
	reduced rates ▪ Can lead to competitive rates for bid ▪ Can also lead to a percent of transactions or percentage of achieved annual contract value captured by the provider (e.g., SAP and Workday)						

◯= No impact to revenue growth
◔= Low impact
◑= Moderate impact
◕= High impact
●= Maximum impact

Type	Description	Offerings/IP	Clients/channels	Scale	Sustained scope	Increased competitiveness	Cross-sell/upsell

Source: Gartner (August 2024)

Table 2: Ecosystems Structural Options With Benefits and Risks

Type	Description	Benefits	Potential risks
Centralized	Functions and processes controlled and coordinated by a central body that has decision-making authority and establishes and enforces partnering policies. This model prioritizes efficiency and consistency.	▪ Standardized partnership processes (e.g., vetting, onboarding, and risk and performance management) ▪ Ability to emphasize strategic relationships; deep awareness of specialized partners, which leads to improved service for clients ▪ Information flows more rapidly ▪ Economies of scale	▪ Can become a bottleneck for decisions (e.g., partner agreements) ▪ Can limit agility and ability to customize to localized end-client needs or, especially, one-off requests

Type	Description	Benefits	Potential risks
Center-led	Hybrid approach of centralized and federated. Decision making decentralized but central body (e.g., center of excellence) exists to establish vision, policies and standards for consistency. Individual businesses or regional units have autonomy to manage day-to-day activities. Commonly used by large multinationals that balance local responsiveness with control.	▪ Consistent practices that reduce errors and makes it easier to foster critical relationships ▪ Ability to execute strategies to mitigate agreement risks ▪ Agile to adapt to local needs while adhering to corporate guidelines rapidly	▪ Potential to digress to unwanted federated practice ▪ Requires ability to govern policies with control from afar and strong internal communications ▪ Tends to lead to unwanted redundancies in partners
Federated	Entirely decentralized; policies are defined individually by ecosystem relationship owners at point of execution. Allows for high flexibility and adaptation to local conditions while working to maintain strategic alignment and leverage of shared resources and capabilities. Decision making is distributed to all business units, regions or subsidiaries.	▪ Enables rapid movement; individual aspects ▪ Field-level (e.g., critical when working with some, such as Amazon Web Services [AWS])	▪ Limited governance can lead to unsanctioned partnering activities. Highest degree of risk to the enterprise (for example, poor partner performance, data/security risks and branding)

Source: Gartner (August 2024)

Actionable, objective insight

Position your organization for success. Explore these additional complimentary resources and tools for tech services leaders:

Research
Service Providers: Align Deal Constructs to Buyer Expectations

Discover how buyers expect to pay for services today and in the future.

Download Now

Webinar
Gartner IT Spending Forecast, 2Q24 Update: Implementing Generative AI

Explore the latest Gartner IT spending growth forecast in 2024 and beyond.

Watch Now

Tool
Gartner Product Decisions

Inform your offering strategy and roadmap with this tool.

Learn More

How We Help
Gartner for Tech Services Leaders

Connect with a Gartner expert to meet your mission-critical priorities.

Learn More

Already a client?
Get access to even more resources in your client portal. Log In

Connect With Us

Get actionable, objective insight that drives smarter decisions and stronger performance on your mission-critical priorities. Contact us to become a client:

U.S.: 1 855 811 7593

International: +44 (0) 3330 607 044

Become a Client

Learn more about Gartner for Tech Service Leaders
gartner.com/en/industries/high-tech

Stay connected to the latest insight

Gartner