



2014 ASAP **Global Alliance Summit**



The Expertise to Collaborate... The Leadership to Perform.

Right Partners, Right Strategy

Taking a Strategic Approach to the Partner Portfolio



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#1 OPEN SOURCE LEADER



MORE THAN
90%
of
FORTUNE
500
COMPANIES
use
RED HAT

PRODUCTS &
SOLUTIONS.*



OFFICES WORLDWIDE



SOME OF OUR EMPLOYEES

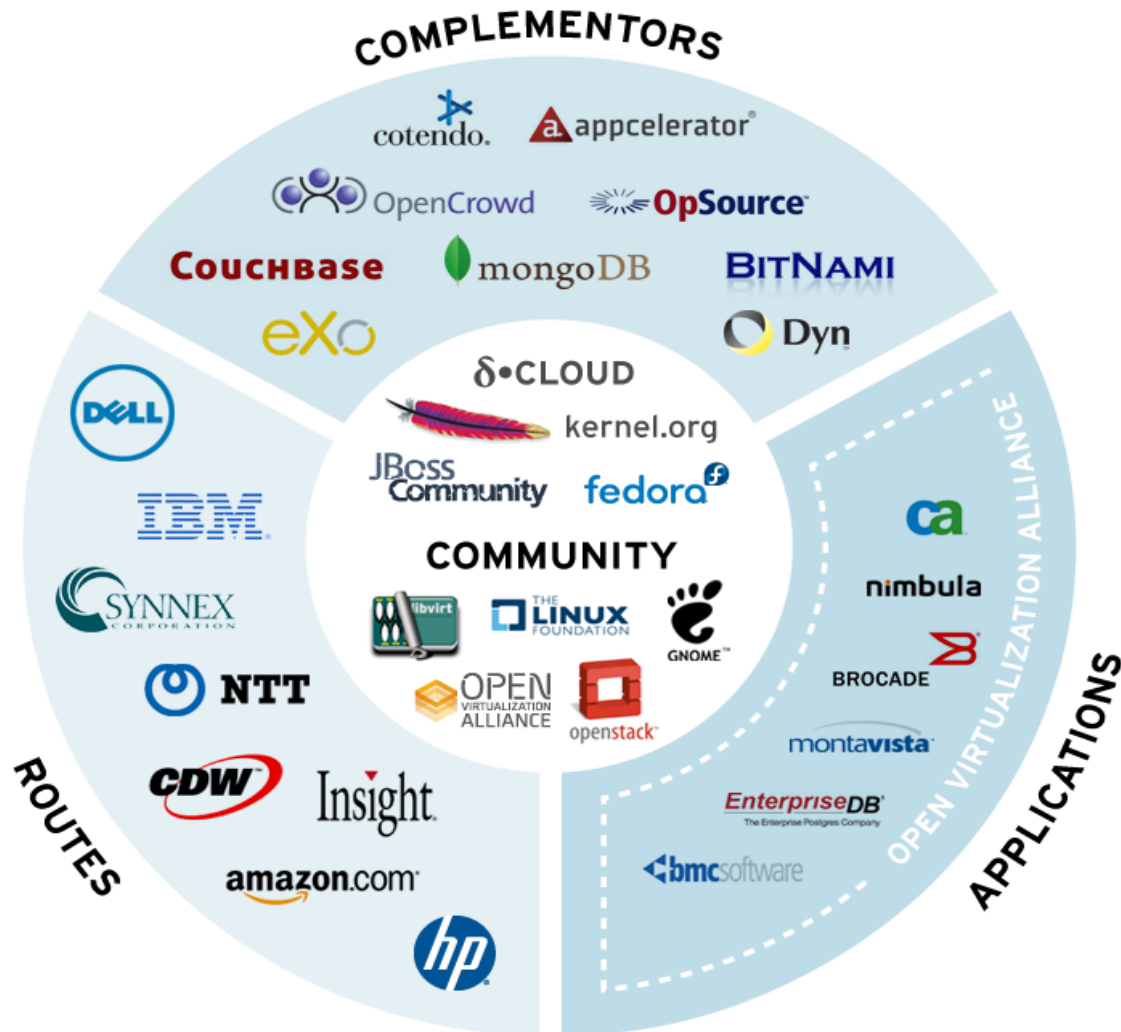


CEO JIM WHITEHURST





Red Hat has the Opportunity to be Leader of Open-Source Communities for both Contributors and Ecosystem of Partners





Need Well-Defined Partnering Strategy Aligned to Corporate Strategy

Strategic Framework for Red Hat 2.0 – 3-5 years

**Corporate
Goals**

**Sustained Double-
Digit
Earnings Growth**

**Leader in
Community-
Powered Innovation**

**Best Place to Make a
Difference Together**

**Market
Goals**

**Recognized for
Customer Excellence**

**A Leader in Enterprise
Infrastructure Software**

**Preferred by
Developers**

**Partner
Strategy**





The Challenge



To build, enable, and empower a robust ecosystem of partners that amplify Red Hat's market position, thereby driving faster sales growth, better efficiencies, and broader portfolio adoption



Convergence of Four Independent Trends are Shaping New Business Models

SOCIAL

A faster, richer, ubiquitous conversation

INFORMATION

Big data evolves towards wisdom – the ubiquitous progress bar



MOBILE

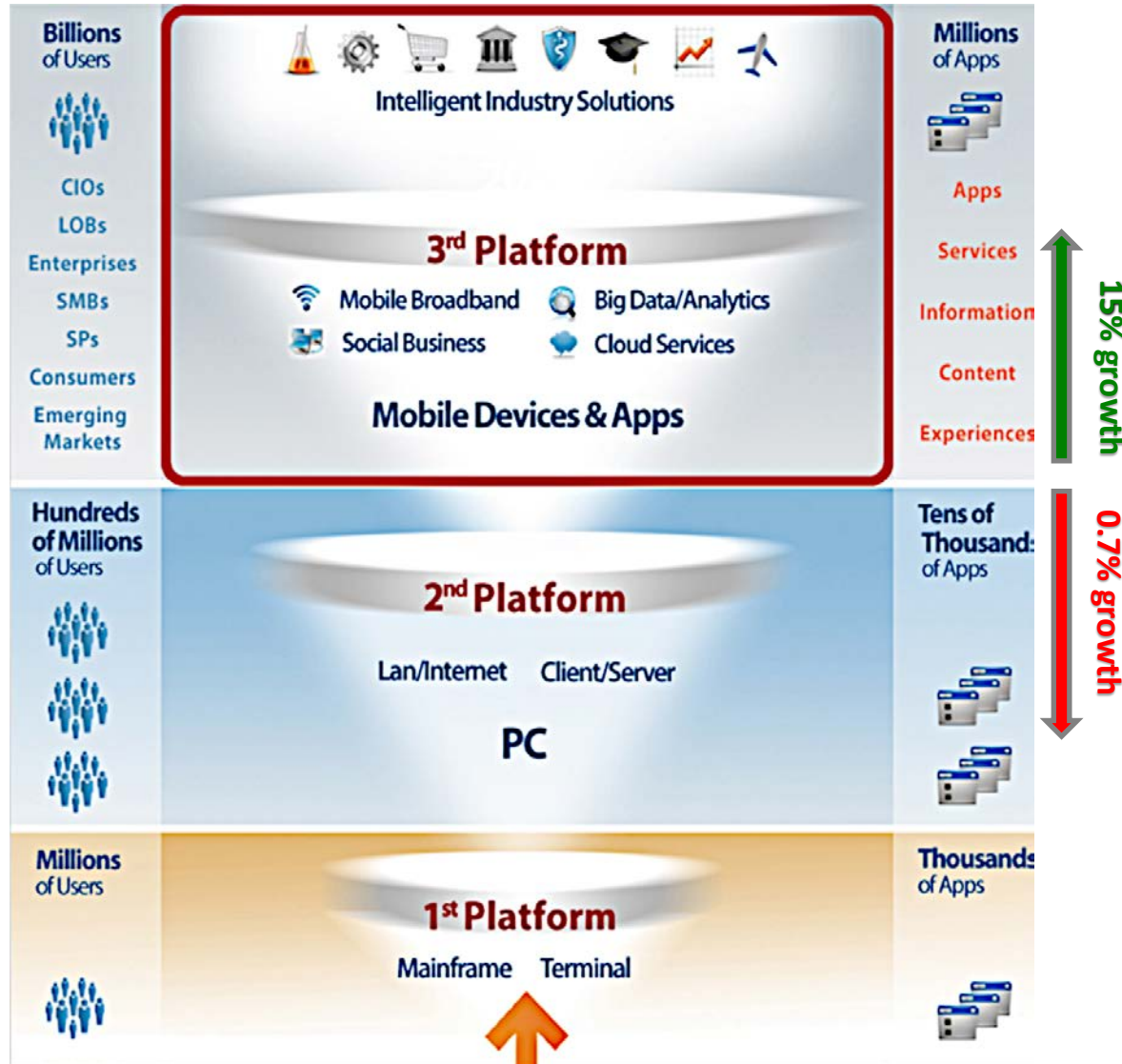
Becoming the primary computing platform

CLOUD

The expectation of ubiquitous access



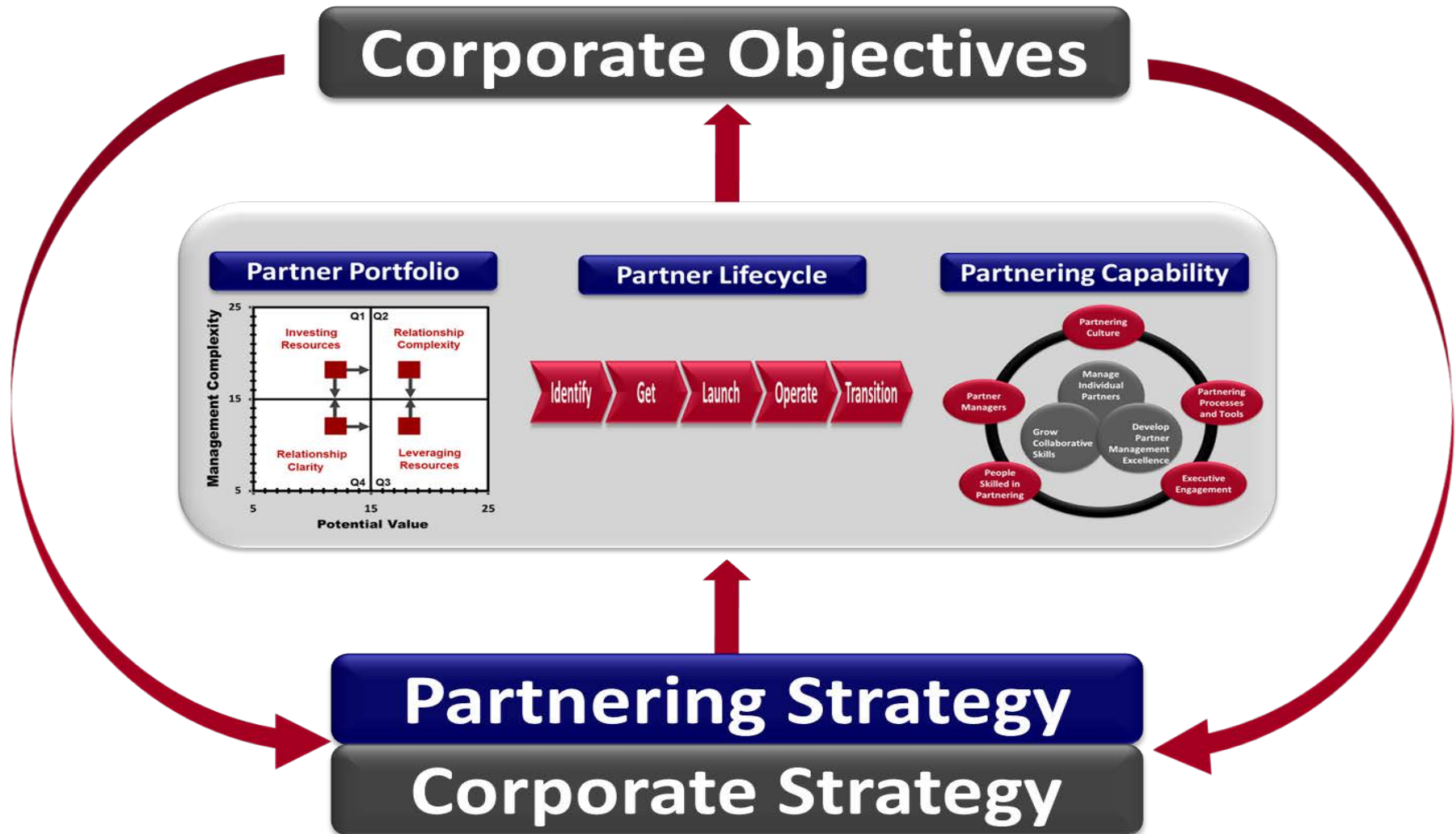
IT Industry Shift Necessitates Partner Evolvment



- Opportunity is ripe for Red Hat
- Business & consumption models are evolving
- Therefore Red Hat's partner engagement must evolve



Alignment Corporate Objectives with Partnering Strategy





The Partner Profile Manager

**makes it simple for alliance managers
to analyze individual alliances/
partnerships and the overall portfolio,
and then plan actions that create the
alliance outcomes required to achieve
corporate strategies**



Master YOUR Portfolio in 5 Easy Steps

- 1 Determine Scope**
- 2 Decide Profile Criteria**
- 3 Score and Map All Relationships**
- 4 Analyze the Results and Develop a Plan**
- 5 Define and Align Partnering Capability with the Portfolio**



Potential Value Criteria

- 1. Revenue Growth**
- 2. Market Making**
- 3. Brand Value**
- 4. Ecosystem Leverage**
- 5. Capabilities and Capacity**
- 6. Operational Efficiency**

Revenue Growth

- Bookings impact (immediate, next 2-3 years)
- Access to net-new customers
- New market/geographic/vertical participation
- Provides access into high lifetime value customers

Scoring Guidance

- 5** = Significant short or long term revenue opportunity
- 3** = Moderate short or long term revenue opportunity
- 1** = Minimal short or long term revenue opportunity



Management Complexity Criteria

1. Partner Commitment

2. Alignment

3. Partnering Ability

4. Scope

5. Relationship

Partner Commitment

- Level of executive endorsement/ sponsorship
- Extent of organizational mindshare
- Access to technical, marketing, and go-to-market resources (\$, time, research, headcount, field force, engineers)
- Willingness and ability to provide operational reporting

Scoring Guidance

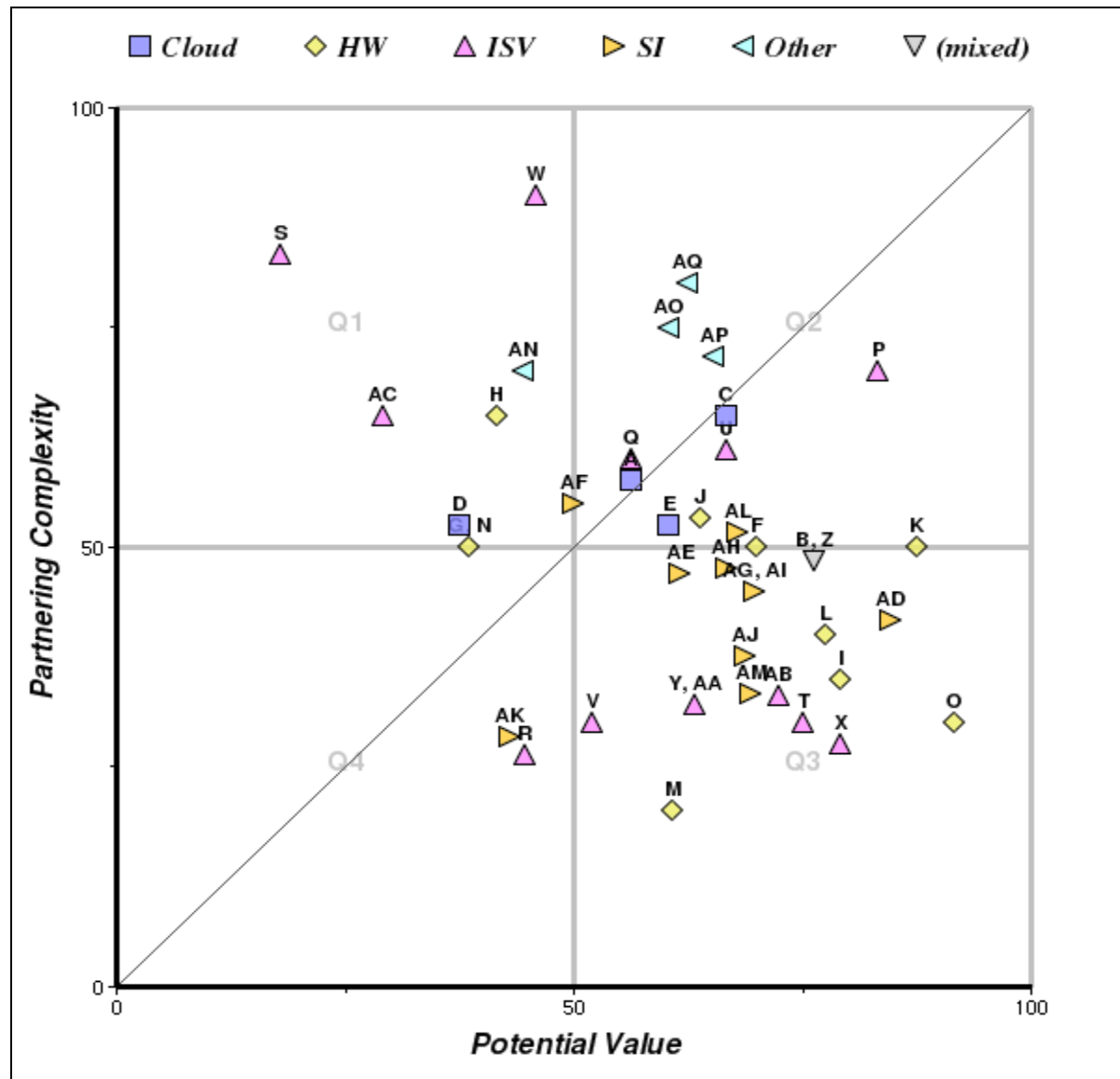
5 = No executive sponsor or access to resources

3 = Executive sponsor in place; access to some resources, but additional resources and support are desirable

1 = Engaged executive sponsor; access to resources across all aspects of the relationship



Aggregated Responses by Partner





Criteria and Category Analysis Summary

Complexity	Cloud	HW	ISV	SI	Other	Portfolio
Partner Commitment	3.3	2.7	2.8	2.5	4.4	2.9
Alignment	3.3	2.7	2.7	2.9	4.5	2.9
Partnering Ability	3.3	2.4	3.0	2.3	3.2	2.6
Scope	2.9	3.2	3.0	3.1	2.8	3.0
Relationship	3.3	2.9	2.7	2.9	4.9	3.0
Value						
Revenue Growth	4.0	3.8	3.3	4.1	3.5	3.7
Market Making	2.6	3.5	3.7	3.1	3.2	3.4
Brand Value	3.0	3.8	3.8	3.5	2.8	3.5
Ecosystem Leverage	3.0	3.7	3.4	3.4	4.0	3.4
Capabilities and Capacity	3.5	3.4	3.5	3.8	3.4	3.6
Operational Efficiency	4.1	3.3	2.8	3.7	3.1	3.3
<div>Worse than Average</div> <div>Same as Average</div> <div>Better than Average</div>						



Definitions and Implications for Portfolio Optimization Options

Optimization Options	Implications
EXPAND	<ul style="list-style-type: none">• Increasing global team focus• Bi-directional optimal resource coverage• Increased GTM (formalized JOINT business plan)• Increasing executive relationships• Global Metrics/ Scorecard• More formalized governance
DECREASE	<ul style="list-style-type: none">• Decreasing global team focus and resource coverage• Decreasing executive relationships• Less formalized governance
MAINTAIN	<ul style="list-style-type: none">• Same resources• Refocus priorities for different mix/ focus with partner
ANALYZE	<ul style="list-style-type: none">• Additional information needed to decide on portfolio optimization option



Partnering Approach by Partner Type

FUTURE

OEM

- Better integration across partner business units
- Clearer rules of engagement
- Potentially different structure for developed and developing markets

SI

- Need greater focus on key SIs
- Need SI program
- Need Global management of Indian SIs

ISV

- Focus on best few for deeper engagement
- Embedded ISVs
- Multi-partner eco-system partnering

Service Provider

- Need to evolve to tighter joint GTM engagement
 - Provide programmatic resources
 - Become one of top cloud leaders
 - Build relationships with cloud builders
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Portfolio Optimization

- **Defined value/complexity framework to analyze partners**
- **Data gathering**
39 individuals rated 54 partners (121 scorecards) across the 11 criteria and 1331 qualitative scoring rationales provided
- **Classified each partner into one of four strategic categories: Expand, Maintain, Decrease, Analyze**
- **Developed and Classified Joint Business Plans with alliance partners reflecting FY15 focus**



Portfolio Optimization Required Focus on Several Fronts

- **Tighter alignment with Business Units priorities and Geo needs**
- **Better management of existing partners**
- **Addition of new partners in existing categories and new partner types to support new business models leveraging the ecosystem**
- **Globally-oriented management of some current regional partnerships**



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Partner Strategy

- More leverage from partners through driving strategic value across each partner type
- Portfolio Optimization (Expand/ Decrease/ Maintain)
- Market making across product portfolio (seeding market, creating demand, igniting market)
- Better upstream alignment (with Products and Partners)
- Better GTM engagement (in addition to technology integration)



Recommendations for Broader Organizational Capability for Effective Partnering

Why

Make the case for stronger commitment to partnering

What

Partnering strategy and model must be aligned to company strategy

How

Execute specific partnering approaches to drive greater value

Institutionalize process for partner prioritization and developing new partners

Optimally manage and govern partner portfolio and resource alignment

Measurement and reporting to track value beyond pipeline and bookings

Drive partnering commitment through strong visible leadership from top, internal and external communications, and create organizational/ behavioral change



Questions