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Buying Frenemies

When Your New Acquisition Has an Alliance with Your Competitor, Challenges and Headaches Can Ensue—but Also Creative New Ways to Partner with the Same Organization

By Jon Lavietes

In just a couple of weeks, ASAP members will receive the Q2 edition of *Strategic Alliance Quarterly* in their inboxes and mailboxes. Readers will be treated to a thorough examination of the often-arduous process of integrating the alliance practices and portfolios of acquired technology companies. The piece was partly inspired by an article we published last year on the challenges posed when pharmaceutical companies absorb biopharma outfits ("A Process, Not an Afterthought," *Strategic Alliance Quarterly*, Q2 2020).

It occurred to us that the IT alliance managers in our community could benefit from a similar exploration. Scour PitchBook or *Fortune*'s "Term Sheet" newsletter on any given day and you will usually find at least one tech-related acquisition—often more. Odds are that ASAP members working in tech will be part of an acquisition or watch a partner of theirs get acquired at some point in their career, if they haven't already.

We spoke with a diverse array of individuals whose present and past experiences covered the perspectives of Global 1,000 multinationals, midsize vendors, managed service providers (MSPs), and the consulting world. They revealed several complex revenue and accounting, personnel, and operational issues that need to be sorted out pre- and post-acquisition. We got the sense that integrating an alliance practice was a dizzying exercise at times for alliance practice leaders and senior management, yet if completed thoughtfully it could leave acquirers with a much stronger portfolio. None of the interviewees disagreed with that premise when they reviewed the piece before it went to press.

If acquirers integrate an alliance practice thoughtfully, they should find themselves with a much stronger portfolio.

Hey, You, Get onto My Cloud

When we developed a vision for this article in the early planning stages of our Q2 issue, we anticipated that coopetition issues—either in the form of partners being acquired by competitors or buyers finding themselves with two or more partners that compete in the same space—would play prominently in the story. However, several other substantial themes emerged as well, leaving little room in the main feature for a full discussion of coopetition as it relates to this topic. We thought that many of the coopetition insights we obtained in our interviews would be similarly engaging and useful to high-tech alliance managers.

Carl DCosta, worldwide general manager of partner success at Blue Yonder, has not only overseen some of Blue Yonder's recent transactions, he has also played leading roles in integrating partnerships of companies acquired by Oracle, where he worked for 11 years prior to moving to Blue Yonder in 2019. Coopetition issues have arisen in every transaction in which he has taken part.

For example, Blue Yonder acquired SaaS e-commerce and fulfillment microservices company Yantriks, which had a close partnership with Google Cloud Platform (GCP), a direct competitor to Microsoft Azure, on which Blue Yonder has standardized and delivered tremendous value, particularly in the automotive and retail spaces.

"We have to be sensitive to the fact that the whole technology stack and the way Yantriks was architected was around Google. We have to be sensitive to current customers," said DCosta.

Thus, Blue Yonder is supporting existing Yantriks clients that are running on GCP.

> "We have to be sensitive to current customers [that run on technology that competes with our partners]."

Yes, Virginia, There Really Is an Acquisition That Didn't Encounter "Coopetitive" Alliances

"I can't imagine a technology industry acquisition where some of the alliances aren't at best redundant or at worst in conflict with each other, either legally or in a business sense," said **Nick Palmer**, managing director at BTD Consulting, whose consulting career includes long stints in both alliance management and M&A.

Perhaps amazingly, there is at least one company that hasn't encountered coopetition in multiple acquisitions. Not one time in MSP Logically's eight acquisitions over the last three years did a "coopetitive" issue come up in the streamlining of the target's partnerships.

"Surprisingly, no," wrote **Avery Kraft**, CA-AM, senior partnerships and alliances director at Logically, in an email in response to a question about whether Logically faced any coopetition-related hurdles vis-à-vis acquired partner portfolios. "We developed an internal 'preferred products' list which details our primary, secondary, and sometimes tertiary choice of technology vendor, along with its associated product(s) for common items such as firewalls, client devices (laptops/desktops/tablets), servers, access points, switches, etc. This approach eliminates friction and provides some flexibility with our acquirees, as well as our clients who may have a strong preference for a specific vendor over another."

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Dual DBAs a Portal to Minor Certification Headaches

Logically may not have had to deal with coopetition, but it has found other challenges outsiders might not think of when considering what merging partner practices might entail. For instance, partners don't automatically recognize acquired companies as part of the buyer organization upon completion of the transaction. Thus, Logically employees might have to navigate multiple partner portals with the same ally, which still sees the bought company as a separate entity. In an ideal world, Logically and its acquired assets would be under one tax ID. In reality, the company hasn't secured this status on behalf of its new assets, but it has convinced some of its partners to agree to some helpful workarounds.

"Most vendors allow a 'parent/child' setup where 'children' company revenues roll up to the parent and are listed as 'acquiree company name, LLC DBA acquirer company name.' In cases like this, portals can be consolidated into a single source of truth for revenue, as well as employee certifications and compliance. Separate portals must be maintained for vendors who do not allow this type of setup, but most do," said Kraft.

It may not sound like a big deal when partners disallow such an arrangement, but it does cause minor headaches for the parent company. Sales and alliance managers encounter confusion over account names and numbers when placing orders with partner vendors, a process that should otherwise be straightforward. Logically and its new subsidiaries commonly hold different levels of certification with the same partner. It isn't unusual for Kraft to get a notice that a certification is expiring based on the child company's status when Logically actually has several years remaining.

"I'll have to get involved and explain [the situation] to them. Gosh, it's a big challenge," he said.

It may not sound like a big deal when partners disallow [consolidation of portals], but it does cause minor headaches for the parent company.

Novel New Partnerships: Combine Them or Leave Them Alone?

In the main feature, we covered how larger vendors sometimes have to explain to their partners the rationale for introducing new technologies that were obtained via M&A. We didn't mention, however, that it's often the case that the opposite scenario arises: partners are thrilled with the new options. **Joseph Schramm**, head of Americas partner sales at identity security company SailPoint Technologies, explained how partners saw new possibilities when his organization snatched up governance, risk, and compliance software company ERP Maestro.

"This acquisition makes us more interesting to partners that are already important to us. It's an enhancement proposition there. Plus, [ERP Maestro] has some new partners that we are not familiar with that we are investigating as potential partners for us overall," said Schramm.

Schramm also divulged that another recent SailPoint acquisition, identity management cloud software vendor Intello, was found to be collaborating with the same partner in a radically different way. Does SailPoint keep these two alliances as standalone partnerships? Does the company combine particular elements of each alliance? It's still too early to tell, but the answers will have a major impact on how SailPoint works with that partner in the coming years.

"We're trying to sort that out now," said Schramm.

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Staying Out of the Way When Cultures Clash

Palmer, who is one of ASAP's founding members, spoke at length about the differences between reconciling simpler alliances and the complex ones where success hinges on countless "microdecisions" that no manager could possibly monitor. Interestingly, Palmer has observed over the years that cultural

disparities between the acquiring company and target asset often don't throw a wrench into less complicated, straightforward partnerships.

"If you're operating in a mode where you can clearly specify what needs to be done, even if people are not the 'best of friends,' it can work. It's shorter term, it's easier to measure, and you just don't get in each other's way. I think that's true for certain parts of the business model," said Palmer. "Savvy managers know where to place their efforts, and when to stay out of the way. One approach doesn't suit all."

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Make sure to read the full *Strategic Alliance Quarterly* article "So You Bought a Company—and Its Alliances. What's Your Next Move?" to see Palmer's take on how alliance practices should go about reconfiguring alliances with "regular, complex interaction." The article also covers the potential material considerations of an acquiree's alliance portfolio, the cultural and HR-related issues that arise when merging alliance practices, and the due diligence that needs to be performed prior to the acquisition, among other topics. ■

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As a practitioner of collaboration in a variety of perhaps non-traditional alliance functions myself, I've found so many key elements of partnering and collaboration management for synergistic outcomes were perfectly encapsulated by ASAP's offerings.

—**Kevin Little, CSAP**
Senior Partnership Director
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