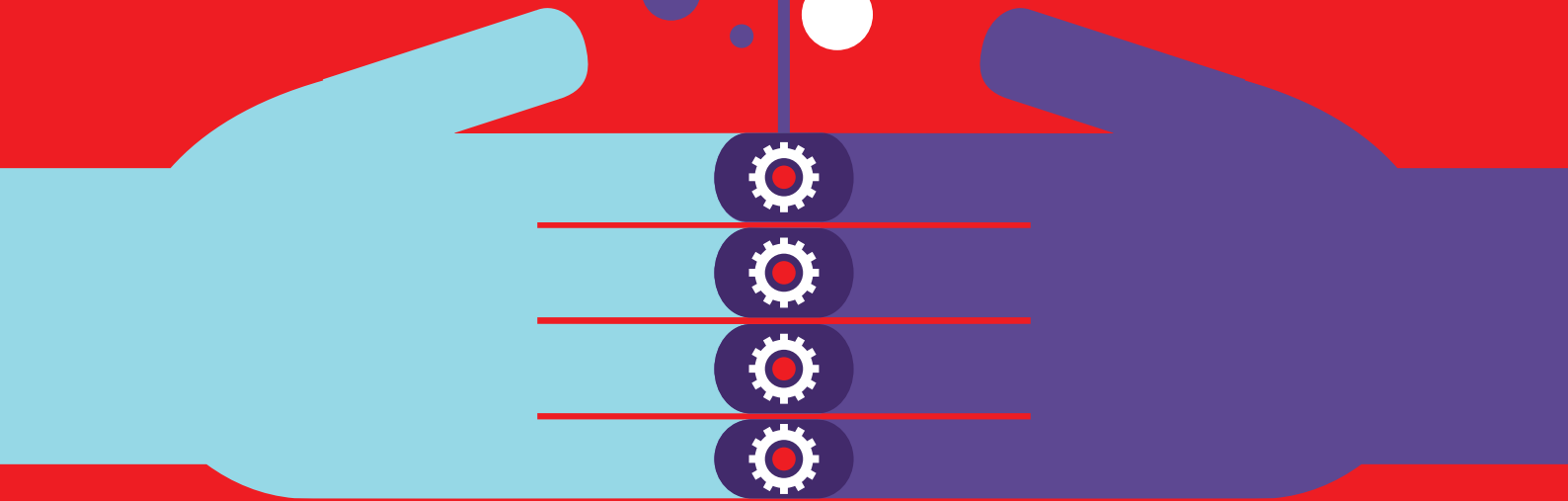


The
Economist

Intelligence
Unit

DIGITAL REFINEMENT:
C-LEVEL EXECUTIVES HONE THEIR
TRANSFORMATION SKILLS



CHOOSING THE RIGHT TECHNOLOGY PARTNER

Sponsored by:



CHOOSING THE RIGHT TECHNOLOGY PARTNER

To stay competitive in today's marketplace, companies need complex and multi-faceted digital capabilities. However, no one company can easily possess all the resources needed to develop robust technology systems, and trying to do it alone can prove difficult and costly. Asian executives surveyed by The Economist Intelligence Unit agree: seven in ten say companies going it alone (without digital partnerships) will soon be a thing of the past.¹

The challenges of choosing the right partner, building successful partnerships and managing the risks inherent with adding a third party to one's technology ecosystem can be formidable. As a result, approaching a technology partnership requires careful thought and planning along all stages of the process.

“Our first focus is looking at our end customers and what they’re looking for.”

*Carly Cummings, CIO,
Linfox International Group*

Much of the success rests on the starting point of this process. While partnership journeys and experiences vary widely, all should start at the same place—the gap between customer expectations and a company's in-house capabilities, says Carly Cummings, CIO of Linfox International Group, the Asian arm of Australian logistics company Linfox. “Our first focus is looking at our end customers and what they’re looking for. So it's the need coming from that end that then flows back to how we're going to help our customers get their products to their customers,” says Ms Cummings.

From there, a company must move to identify how technology can help close that gap. This is best done through collaboration between technology experts and business users, adds Ms Cummings.

Build it or buy it?

The next step a company has to take is deciding whether to build or buy its needed capabilities. Michael Goriz, group CIO of Standard Chartered, says companies have to evaluate the capacity they have in-house and the external talent they will need to attract to accomplish their goal. “You have to make a choice. Is it so important that I want to build it myself or, yes, it's important but we can rely on third parties to give us the software or—even better—a service we need delivered by an API?”

In some cases, the decision may not be either/or, but rather a decision to build together. For Standard Chartered, Dr Goriz prefers to buy services from a reliable partner rather than just buying software, which he then has to install and maintain in-house. “Our solutions are about equal parts in-house built and sourced from the outside.”

An organisation should be very clear about what it needs before going out with a request for proposal (RFP) to vendors. Ms Cummings, for instance, develops a detailed scope document with her internal technology and business teams before inviting potential partners to pitch. After demonstrations and an extensive evaluation process,

¹ <http://connectedfuture.economist.com/article/connecting-capabilities/>

CHOOSING THE RIGHT TECHNOLOGY PARTNER

COLLABORATION, NOT PROCUREMENT

she then decides based on price, the speed of implementation and the quality of the potential partner's solution.

Steven Barnett, president and CEO of AIG Korea, adds cultural fit to his list of requirements. In his recent transformation efforts, he began work with a vendor that had an attractive global technology package but no presence in Korea. "It didn't work out," says Mr Barnett. "We ended up halting work with them and decided we should redirect and allow Korea to be specific and specialised."

In AIG's case, Mr Barnett was also keen to find a technology partner from whom he could buy the majority off the shelf. "We bought the core and made the rule that 90% would not be changed," he says. "We retired every technology we had—over 20 applications—and brought in a single fully integrated platform across our entire businesses. We did it in 15 months and under budget."

Creating a successful partnership

According to Ms Cummings, an exemplary partnership is one where both parties work to support each other. They will forecast issues that might come up and work to mitigate them. They will also help determine the future direction of a business, what the operating model might look like, and what opportunities need to be targeted.

To develop this, she says Linfox brings its partners into the strategic planning process from the start. "We take our partners on a strategic journey from day one. This helps them with resource planning and their ability to give us better service. There is a lot of planning around standardising systems as well because they're keen to understand our business as that helps them build a better solution for both of us."

She also sees being culturally aligned on how to conduct business as equally important. Successful partners share the same expectations on the quality, implementation and evolution of a technology solution. In other words, Ms Cummings says, "they have the same approach as us. They will do anything to make sure the job gets done properly."



CHOOSING THE RIGHT TECHNOLOGY PARTNER

COLLABORATION, NOT PROCUREMENT

Mr Fazil Ibrahim, CIO of Tenaga Nasional Berhad (TNB), Malaysia's electric utility company cites the importance of partnering with organisations and corporations that bring strategic insights to the table as well. He says TNB frequently draws on consultants and partners who have been successful in other parts of the world to help formulate and implement its digital journey. "The consultants have helped us draw our information and communications technology (ICT) roadmap over the horizon," he says. "Along the way, we keep on reassessing and redrawing our ICT roadmap from time to time."

Managing risk

Building trust between partners is one of the first steps in mitigating relationship risks. Trust can make collaborations tighter and help smooth inevitable challenges that arise during periods of change.

Many integrations can remain imperfect despite best efforts, however, so it's essential to be prepared for the worst. The best risk management processes go hand-in-hand with the procurement processes. According to Dr Gorriz, a high level of due diligence needs to be done to check the stability and viability of a potential partner, including a thorough examination of the potential regulatory and security risks.

Dr Gorriz says it's also important to have a fall-back strategy. For example, before recently implementing some new technology at Standard Chartered, his teams developed a worst-case scenario. If the software didn't work, they would simply go back to their existing processes. This strategy eliminated much of the potential downside in the project.

Even with a robust procurement and planning processes, partnerships can fall apart in the day-to-day execution of the collaboration. "The problem with a not so great vendor who falls down in some of the basic areas, like project management and relationship management, is that it casts a bit of a shadow over the whole solution," says Ms Cummings. In response to the tension this causes, she says, "I'll see my project managers trying to actually find problems with the system and then it makes the relationship difficult."

Partnerships can also suffer from cross-cultural differences. Attempting to integrate an international partner into a local corporate ethos or vice versa can often lead to friction, cultural misunderstanding and other incompatibilities. In this case, constant communication and collaboration are needed to draw teams into closer alignment.

However, AIG's Mr Barnett says there are also simply times you can't "put a square peg in a round hole." In these cases, if there are too many differences one may need to walk away from the partnership altogether.

"The problem with a not so great vendor who falls down in some of the basic areas, like project management and relationship management, is that it casts a bit of a shadow over the whole solution."

*Carly Cummings, CIO,
Linfox International Group*

ABOUT THE RESEARCH

In August 2017, the EIU conducted a research programme on digital refinement, sponsored by Red Hat and Intel. The study included interviews with six business technology leaders in India, Malaysia, Korea, Singapore and Australia, focusing on their experiences in driving digital refinements within their organisations. The research explored three pillars: analysing your value chain, choosing the right technology partner, and defining a digital culture.

We would like to thank the following individuals who lent their time and perspectives. They are in order of their surnames:

- Steven Barnett, president and CEO of AIG Korea
- Ashishkumar Chauhan, managing director and CEO of the Bombay Stock Exchange
- Carly Cummings, CIO of Linfox International Group
- Michael Gorriz, group CIO at Standard Chartered
- Tony Graham, head of product and technology at the banking and financial services group at Macquarie
- Fazil Ibrahim, CIO of Tenaga Nasional Berhad

While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

LONDON
20 Cabot Square
London
E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

NEW YORK
750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
E-mail: americas@eiu.com

HONG KONG
1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: asia@eiu.com

SINGAPORE
8 Cross Street
#23-01 PWC Building
Singapore 048424
Tel: (65) 6534 5177
Fax: (65) 6428 2630
E-mail: singapore@eiu.com

GENEVA
Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
E-mail: geneva@eiu.com