Accelerate growth and innovation

with the right partner ecosystem

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Introduction

Partnerships have been crucial to commerce since the days when joint ventures were memorialized on clay tablets.

Since then, alliances have been essential to prosperity. In fact, according to a KPMG LLP survey of 258 senior leaders at large organizations, partner ecosystems can be critical pathways to growth and resilience: 83 percent of survey respondents plan to expand their partner network in the next one to three years, with nearly half exploring new types of alliances that will accelerate innovation, market penetration, and customer reach.

Expectations around these alliances are high, and they are changing. As market dynamics transform industries, investments in emerging technologies like generative artificial intelligence (GenAI) are influencing strategic ecosystem planning—in fact, 54 percent of respondents are prioritizing GenAI investments over previously top-of-mind technologies such as cloud and software-as-a-service (SaaS).

Despite these investments, the path to value remains uncertain. Only 36 percent of organizations consistently measure partner performance. And nearly three in four respondents—71 percent—admit they have trouble getting their partners to align on goals.

36% **say they consistently measure partner performance**

These are troubling missteps for companies racing to address problems that are too complex for a single organization to solve alone. For ecosystem owners, the problem is twofold. First, in their eagerness to capture value from AI and increase profitability, companies risk creating accidental partnership ecosystems built for short-term problem-solving rather than long-term strategy.

The second issue is a lack of accountability. With no consistent oversight mechanism, leaders lack transparency into whether their partners are delivering on their promises, or even if they're rowing in the same direction.

One thing is certain: In a fast-moving marketplace, companies can't rely on accidental ecosystems to solve their most intractable problems. Choosing partners solely on their ability to solve a temporary operational challenge or capability gap will lead to missed opportunities later.

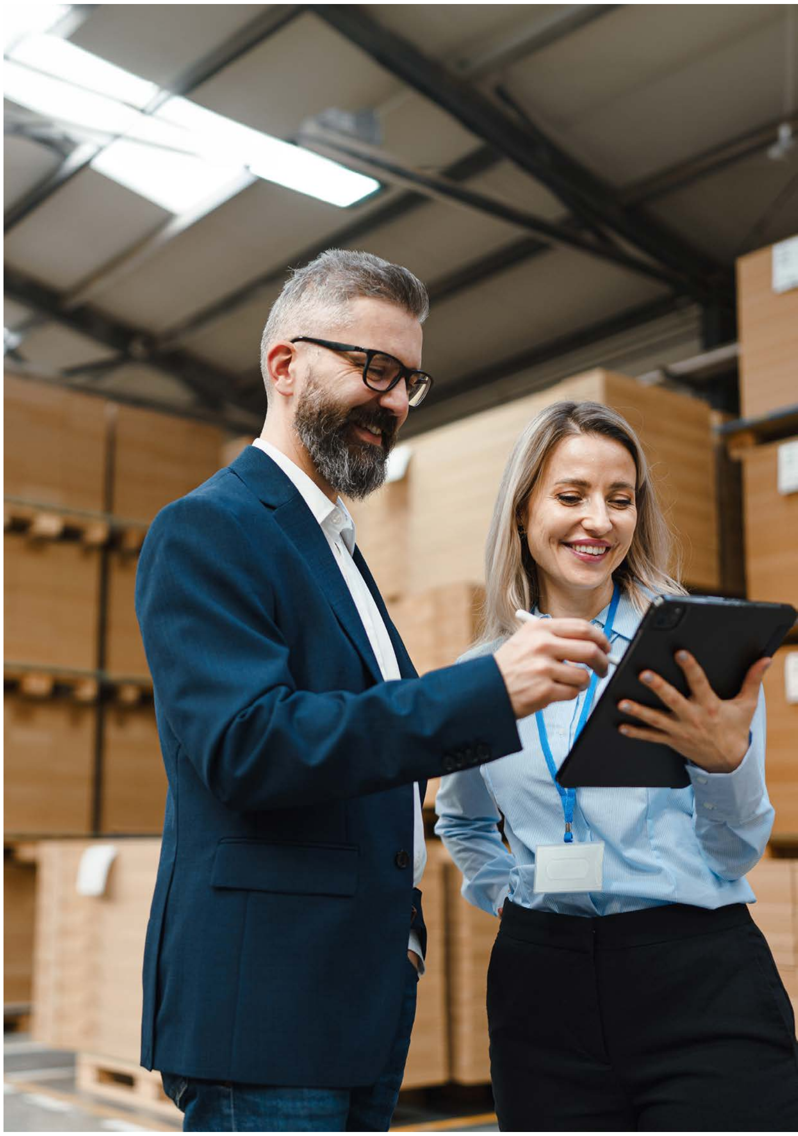
To stay competitive, business leaders must think strategically about a holistic ecosystem design that accelerates growth, enables transformation, and inspires innovation. In this paper, we explore the state of partner ecosystems today and share a fresh approach for choosing, managing, and measuring the effectiveness of alliances.

76% **of respondents grew their partner ecosystem during the last three years**

75% **of respondents say partnerships fuel growth, innovation, and agility**

50% **of respondents use basic frameworks or processes for managing their partners**

Defining the partner ecosystem



A **partner** is any third party alliance that an organization uses to enable or advance strategic and operational objectives, initiatives, and programs.

Partners can be one-off choices that solve very specific challenges or problems, or integral components of a more comprehensive and holistic strategy. Partners can be suppliers, distributors, manufacturers, financial services providers, regulatory agencies, or even customers.

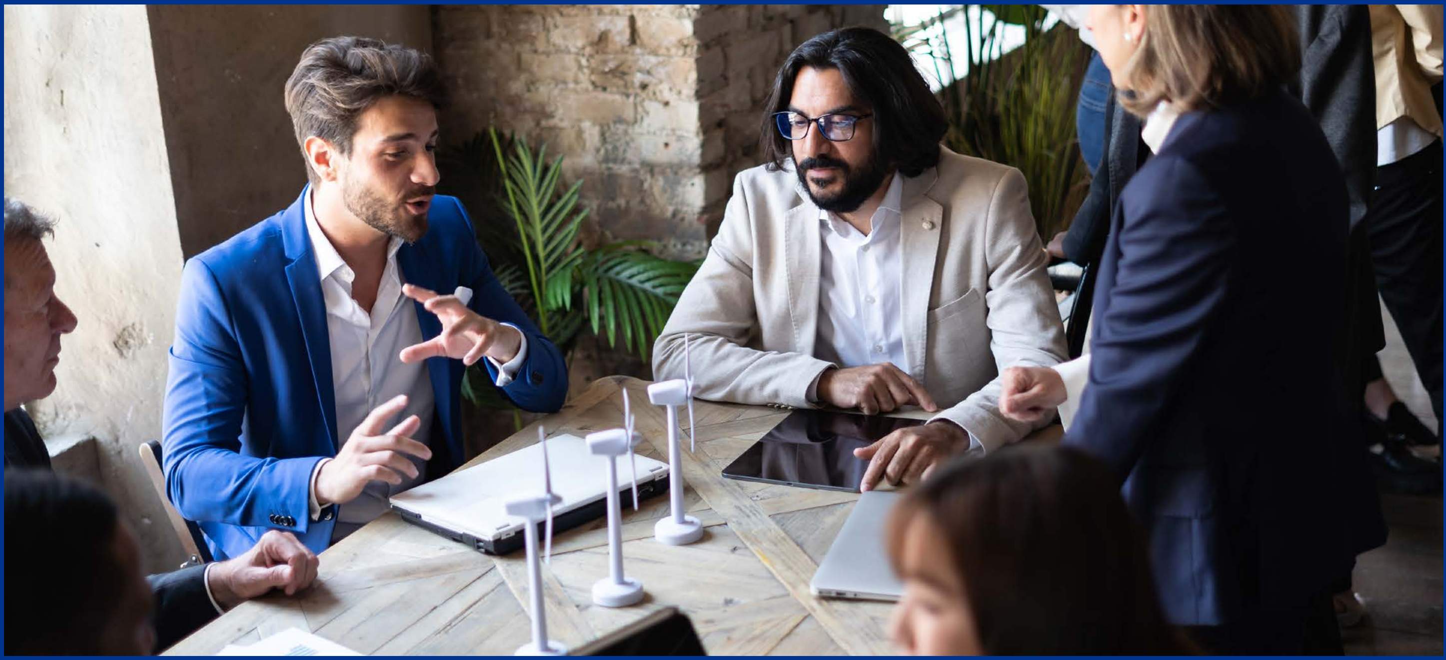
A **partner ecosystem** is a dynamic network of interconnected companies that collaborate for mutual benefit. When working optimally, they share resources and expertise, creating a harmonious unit. A business partnership ecosystem is more than a collection of agreements—it's a strategy for creating interconnected value. When it clicks into place, it delivers more value than any of the pieces could separately.

It's important to remember that partner ecosystems are not static. They are created, disassembled, reshaped, and sometimes reimagined to serve various purposes or to adapt to changing market conditions. Some partners operate independently, while others are part of a broader ecosystem.

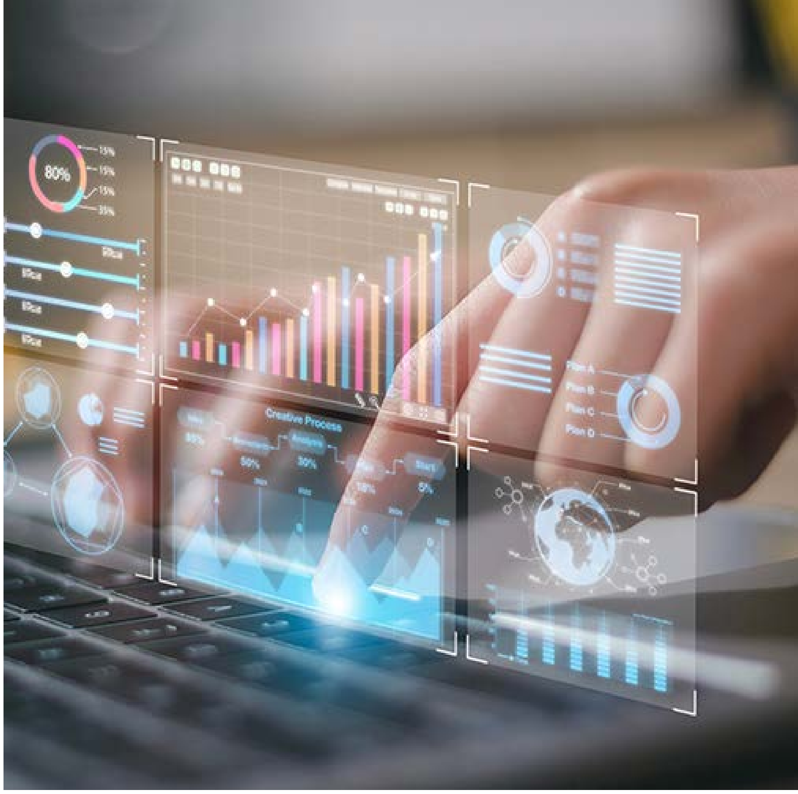
For every need, there is a potential partner

Businesses can ensure they meet changing market needs by altering the mix of partners within their ecosystem. Partners come in all shapes and sizes and can be either tightly focused on a specific problem or designed to meet broader strategic goals.

- **Technology:** Providers of tools, platforms, or integrations that provide new capabilities
- **Channel/distribution:** Companies or individuals that collaborate to market, sell, or distribute products or services
- **Service:** Providers of implementation or support services that enhance or transform the customer experience
- **Suppliers:** Companies with which your organization has developed strategic relationships, going beyond simple transactional exchanges to active collaboration on innovation, value creation, and risk mitigation
- **Manufacturers:** Producers of goods or products, with which a business collaborates to leverage expertise in production
- **Marketing:** Organizations that help reach a wider audience and achieve marketing goals through targeted marketing campaigns, content creation, or cobranded initiatives
- **Customers:** Individuals who engage with a company beyond simple transactional exchanges, collaborating by sharing their needs and desires, cocreating solutions, and fostering long-term mutually beneficial relationships
- **Financial/funding:** Entities like investors, venture capitalists, or private equity firms that provide financial capital, structure deals, build funding networks, or identify potential investors
- **Regulatory:** Government agencies and regulatory bodies play an important role to help ensure compliance with relevant laws and regulations, despite not being considered traditional partners that contribute to business growth
- **Strategic business partners:** Long-term collaborators that support big-picture goals such as transforming a business function or the full enterprise, expanding market reach, or gaining a competitive edge, typically through joint ventures or equity strategic alliances



How ecosystems are changing



Partnerships are not new, but they're evolving to be mission-critical to the business.

Technology is an essential growth enabler in a marketplace newly centered on AI, and currently dominates 80 percent of respondents' partner ecosystems. However, companies appear less likely to engage in the traditional build-or-buy debate. Few have the resources to create or acquire the tech tools and talent they need to stay competitive, which is one reason that partnerships with technology companies have surged.

In the past, partnerships might have supplied a very specific service, such as a digital security layer for remote workers—perhaps a necessity, but certainly not central to a business's key growth priorities. Today, however, more than half of survey respondents (54 percent) cite digital transformation as the top reason for partnership growth, helping ensure tech partners will play an important role in future ecosystems.

2/3 **of senior leaders rated their tech foundations as no better than adequate**

There is a broad need for digital triage. In fact, two-thirds of senior leaders rated their tech foundations as no better than adequate, with data trapped in silos across systems, functions, and geographies. Rather than engaging in the traditional build-or-buy debate, companies are instead curating the right blend of tech and strategic partners.

This convergence of partnerships helps to make the most difference in the business outcomes, such as driving innovation or growth.

Partners that offer enhanced capabilities, such as real-time data sharing and analytics, for instance, can help organizations transform or streamline supply chains and improve customer experiences. From predictive analytics to personalized recommendations, AI-powered tech solutions will be powerful value drivers by automating and optimizing processes, increasing productivity and efficiency, and accelerating innovation.

67% **of organizations are prioritizing innovation and technology advancements in their ecosystems**

Advancing technology capabilities isn't the only reason companies are rethinking partner ecosystems. Cross-industry alliances are increasingly more desirable, with 80 percent of respondents planning to look beyond their sector to find the right partners. Innovation is a priority: not only are 47 percent exploring new alliances beyond traditional resellers or distributors, another 43 percent want to work with incubators and accelerators to test emerging technologies.

The promise—and pitfalls—of strategic partnerships

As we stand on the brink of a new era in technological advancements, the expansion and evolution of partner ecosystems are filled with promise. The landscape is shifting to a broader, more inclusive approach that encompasses a wide array of strategic collaborations. Ecosystems are not only growing; they are also becoming smarter, more interconnected, and more critical to the success of digital transformation initiatives.

Organizations are increasingly relying on partners for cutting-edge capabilities—69 percent of organizations are using partnerships to expand their AI use cases during the next one to three years, and 59 percent say it is a top partner attribute. But it's more than cutting-edge technology and capabilities that partners bring to the table. Organizations are also relying on their partners to help them build new technology solutions and products: 47 percent of survey respondents highlighted that their partners help them co-create technology solutions. It's not just about what partners offer, but how organizations can better collaborate and work with their partners to reach desired outcomes.

Most respondents believe their ecosystems can help increase innovation. For example, 70 percent of individuals identified a collaborative mindset and open innovation as key to their future ecosystem, while nearly half of organizations surveyed want to work with partners to develop new and improved offerings. This collaborative mindset, coupled with digital agility, promises to be a driving force of partnership ecosystems in the coming years.

70% **of individuals identified a collaborative mindset and open innovation as key to their future ecosystem**

Partners may offer new avenues to growth and innovation, but persistent hurdles remain, particularly around areas like measuring success and incentivizing tangible results. We learned that companies are challenged with aligning their goals and expectations with those of their partners: Only 38 percent expect their partner ecosystems to be somewhat aligned to their enterprise-wide strategies.

38% **of respondents expect their partner ecosystems to be somewhat aligned to their enterprise-wide strategies**

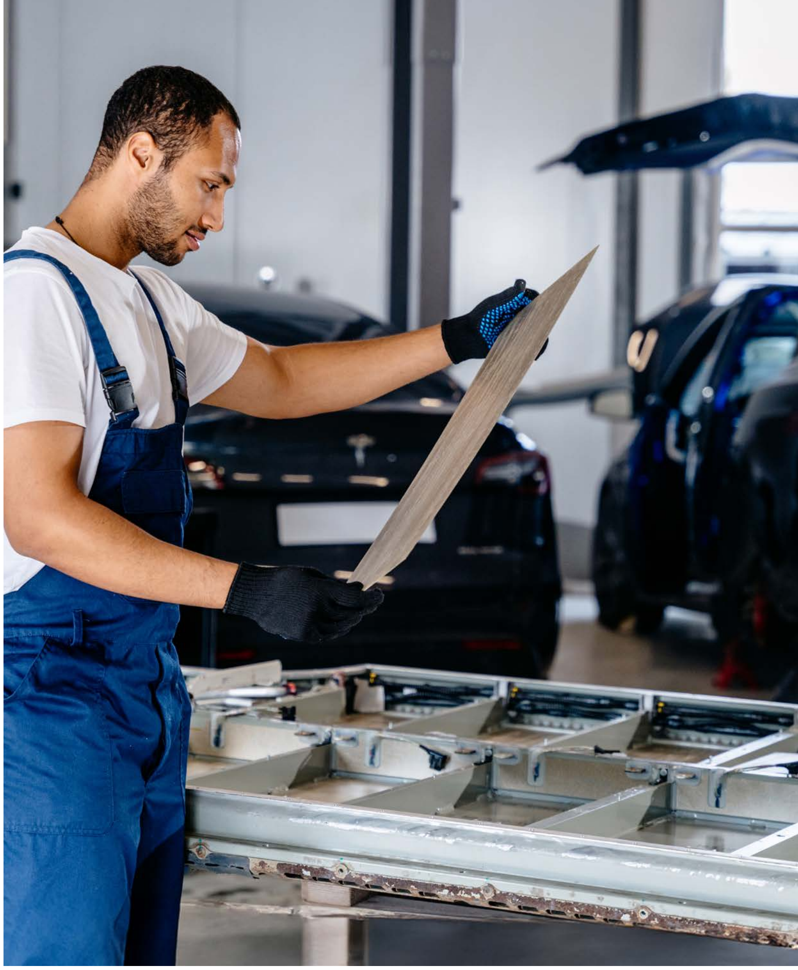
The reluctance to adopt a Partner Ecosystem Platform, expressed by 66 percent of respondents, suggests a hesitancy to embrace centralized management tools that could streamline and optimize ecosystem operations. The decentralized, function-led approach is preferred by 44 percent of respondents (with only 34 percent adopting a centralized management office). Although each of these models has its merits, there is a lack of certainty about how best to manage and incentivize a diverse network of partners.

There is also uncertainty about how to incentivize results, and respondents reported a more measured stance regarding sharing gains with their partners. Many prefer performance-based sharing (44 percent) or a percentage-based model (32 percent). Conversely, only 22 percent of respondents have plans to implement a gain-sharing incentive plan.

Moreover, the introduction of new partners, especially in technologically advanced areas like AI, raises concerns about data sharing, privacy practices, cybersecurity, and other inherent risks of expanding technology partnerships. Therefore, as organizations pivot towards these new models, the sophistication of their data management, privacy, and security practices must evolve to keep up with expanded risk vectors.

Regardless of the method your company uses to manage partners, maximizing value requires defining clear expectations, shared objectives, and potential risks. KPMG survey respondents demonstrated awareness of these issues and are prioritizing risk mitigation: 59 percent said they will implement well-defined governance standards in partnerships. A roadmap that defines milestones, with mechanisms to monitor progress, evaluate partner actions, and enable accountability, will help ensure partnerships achieve their goals.

Understanding the intentional partner ecosystem



Partner ecosystems must be viewed as future value generators, designed and used to drive the strategic growth of the enterprise.

The downsides of accidental partnerships are numerous. They are often filled with security and scalability concerns, as well as a lack of centralized control. Throwing together one quick-fix supplier after another can lead to a disjointed patchwork of partners, each with its own goals and priorities. This approach also increases the risk of overdependency on specific partners, a top concern for organizations as they anticipate potential future risks.

Historically, one-to-one relationships drove strategy. But in an intentional future, ecosystems will become a dynamic network of many-to-many relationships.

In the electric vehicle (EV) market, for example, leading manufacturers are transforming the ways they work with suppliers. Rather than designing their specific components in a vacuum, they collaborate across their network of relationships. This system helps create unique products that are difficult for competitors to match. In healthcare, provider organizations are collaborating with AI leaders to enabled personalized medicine and even cures for previously untreatable illnesses. And, as an illustration of the value of public/private collaboration, Habitat for Humanity, a nonprofit that builds homes for families in need, partnered with Lowe's to secure discounted building materials and volunteers to help build homes.

In the intentional ecosystem, partnerships are symbiotic rather than merely transactional and are built on a foundation of mutual commitment and trust.

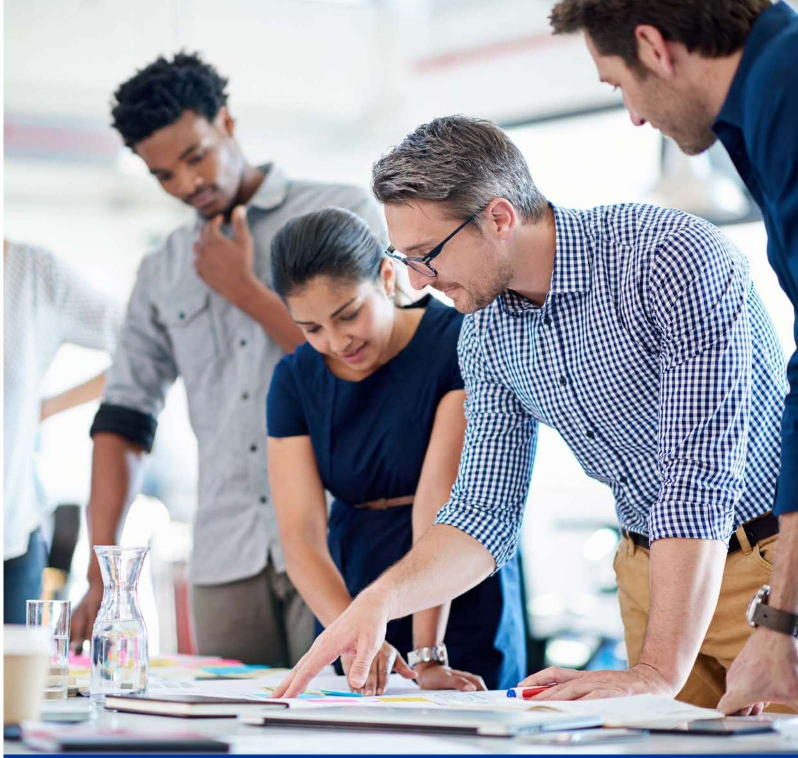
Intentional partners provide products and services that are key enablers for long-term strategic transformation and growth—imagine a cloud provider that elevates the overall customer experience by improving security, application performance, and personalization. Intentional ecosystems thrive on symbiotic relationships that are built on mutual commitment and trust, moving beyond mere transactional interactions to foster a collaborative and innovative environment. This approach not only creates value but also opens opportunities for co-creation and co-innovation, resulting in a multiplying effect on the overall value generated.

As leaders evaluate their current ecosystems, they are exploring relationships with partners that have new capabilities and skills, as well as various collaboration models. For example:

- **Direct-to-consumer:** Companies work together to create a seamless and differentiated customer experience, enhanced offerings, and greater reach
- **Supply chain transformation:** Companies that operate with interconnected supply chains build partnerships that include centralized, shared, and unified services and operations
- **Platform-based:** Multiple organizations collaborate within a shared technological infrastructure, fostering innovation, reducing costs, and allowing more rapid scaling
- **Financial services:** Helps fintech firms reach new customers, expand their services, and improve their products
- **Cybersecurity:** Establishes security as an essential aspect of overall business strategy

  Tax compliance: Meets the needs of expanded tax reporting
- **Hyperlocal:** Help navigate local regulations, cultures, and market demand

Build a partner ecosystem that supports your strategy



Your partner selection is a critical enabler of your business ambitions. Now it's time to perform an honest assessment of where you need to build, buy, and partner based on those business goals.

Entering a partnership is an act of vulnerability and an admission that your organization can't do it alone Partnerships begin with an acknowledgment of the value that each organization brings to the table. To build trust, transparency, and accountability, there must be genuine commitment to shared goals and clear lines of communication.

Have a plan for how to pivot if the partnership vision or resource availability changes or if expected objectives are unmet. Focus on impact and return on investment while recognizing that traditional approaches may not be effective. Outcome-based metrics and key performance indicators (KPIs) for tracking growth, along with heightened governance, will help ensure that a partner ecosystem delivers the intended value.

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Building lasting relationships

Strong long-term relationships are based on mutual respect and trust. Determining the shared mission is critical. It will serve as a north star, aligning your intentions with a partner's service to establish a cohesive direction. The underlying goal remains the same: to symbiotically drive growth, innovation, and value creation for everyone in the ecosystem. The key challenge is not only identifying the right partners, but also fostering ways to be a better partner yourself.

Success hinges on:

1. **Cultural fit:** Validate alignment in values and ways of working. Consider narrowing your circle to build greater depth with fewer partners

2. **Inter-partner collaboration:** Maintain participation and commitment from all partners. Put interoperability first to drive active engagement between partners

3. **Clear benefits:** Understand what each partner provides and what they gain in return whether it's revenue, brand visibility, or innovation

A partner ecosystem must support the overall business strategy. Value gained from your ecosystem starts with an understanding of the holistic landscape of partnerships and the difference between opportunistic partnerships and intentional ecosystems. Many smaller firms want to create opportunistic partnerships to drive their growth but don't invest in the success of those partners. An intentional ecosystem seeks to create a mutually beneficial arrangement. Defining "ecosystem" for your organization should consider the partnerships that create value aligned to your enterprise strategy. By clearly understanding all the components of a partner ecosystem and building a framework for shared success, businesses can become more resilient and positioned for sustained growth.

To get the most value from your ecosystem:

01 Inventory your existing partner landscape

Many large organizations have nested ecosystems with no taxonomy to classify or define them. Create a map of your existing partner landscape, defining what constitutes your ecosystem and cataloging the actors. Many different ecosystems may exist in your organization, but defining these ecosystems and inventorying the actors will help you to understand and value of your relationships.

Inventorying your ecosystem will also reveal gaps and strategic missteps. Consider your value chain: Are there too many partners or too few, and what relationships are no longer aligned to our business strategy? Evaluate the areas where you need to pull back or double down. Prioritize partners with strong relationship potential and that can bring new capabilities or enhance your existing ones. It's not just about making a list of partners; it's helping ensure they work well together.

02 Design a well-coordinated partner portfolio

Compare the tools and services provided by your current partnership system to the short- and long-term needs of your overall business strategy. It's critical to define the primary goals and value you hope to achieve with each partner. This will guide your strategic planning and ensure that each partner piece fits into the bigger puzzle. Goals might include market expansion, innovation, or value cocreation.

Identify partners and alliances, then establish a defined, efficient, and risk-reducing onboarding and offboarding process. The companies we surveyed are already heading in the right direction: 74 percent of companies conduct regular partnership evaluations based on strategic and technical fit, while another 57 percent develop a tiered partnership framework that categorizes partners based on their strategic and technical focus.

74% **of companies conduct regular partnership evaluations based on strategic and technical fit**

03 Consider cross-industry and managed services partners

Traditional sector boundaries are blurring. For example, with the advancement of AI, financial services companies are starting to see themselves cross into technology. Your ecosystem strategy should enable this shift. Also, define the archetypes for your value drivers. These can include financial drivers, such as revenue growth, as well as nonfinancial value drivers, such as brand reputation.

Managed service partners (MSPs) can play a pivotal role in helping organizations move away from information technology (IT)-centric solutions to business-centric services, critical for driving growth and innovation. MSPs advocate for strategic collaboration among partners and providers, fostering transformation that generates long-term value. They also help companies solve challenges associated with technical debt, optimize data and processes on an ongoing basis, and oversee platform management programs to create better outcomes.

04 Manage—and measure—value

Design an enterprise strategy that contemplates the use of ecosystems, measures the value of each partnership, and creates accountability. Establish a mutually beneficial management and incentive structure for your partner ecosystem, with certain players having a greater role in owning certain segments within the ecosystem strategy. This may start with a single business owner, such as head of strategy or chief partner officer. You'll also need tools that effectively measure the value delivered by your partner ecosystem. How can you certify and monitor your partners' performance and continued understanding of your mission? Traditional approaches may not be effective. While ecosystems have always been designed around shared value, a mutually beneficial incentive structure (i.e., gain-sharing models) might drive greater outcomes. Focus on impact and return on investment.

05 Reduce risk with partners providing mission-critical services

Your ever-widening partner ecosystem is expanding the risk surface, which ranges from data security and intellectual property protection to regulatory compliance. It is important to understand the risk, your organization's tolerance to the risk, and the cost and resources that go along with it. Risk and value are shared equally across the ecosystem and the mechanisms to detect and manage the risk are changing. Organizations need to take more preventative and real-time measures; left unmanaged, risk can spread virus-like across multiple functions in the ecosystem, compromising your business's and partners' reputations, along with customer trust.

Managing risks in the changing era of the growing ecosystem is critical. Survey respondents say that regular audits and evaluations of partner performance (57 percent), implementing clear governance standards in partnership activities (59 percent), and closely monitoring service-level agreements (50 percent) are the top strategies for risk mitigation.

Data sharing and privacy play pivotal roles in defining the dynamics of partner ecosystems. The advent of GenAI and massive computing capabilities has led to an exponential increase in shared data. While this facilitates productive partnerships and innovative approaches, it also opens new vulnerabilities.

It's imperative to ensure robust third-party risk management strategies are in effect. As organizations freely share more data to empower AI-driven solutions, the scope of potential risk becomes broader. Simple trust is no longer sufficient—verification of security practices through stringent risk management are now a necessity.

The right partnership ecosystem drives growth

The fast pace of innovation requires a more fluid and flexible business model than you've employed in the past. This should be reflected in your choice of partners.

Building the right partnerships and alliances can increase your speed to market, reduce costs, mitigate risks, and supplement capability gaps. By establishing effective communications and data sharing practices within this partnership framework, you can increase growth and compete in new markets.

Now is the time for business leaders to scrutinize their current partner ecosystem. The future of partnerships requires a high degree of flexibility and agility. Companies should lean into longer-term strategic partnerships versus short-term, transactional collaborations, while still remaining agile enough to respond to changes quickly and efficiently.

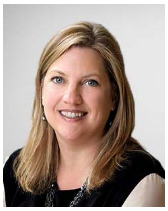
In this way your partner ecosystem will become a critical part of your overall strategic enablement, helping your organization rapidly respond to changing market demands with speed and precision.

How KPMG can help

We combine advanced technology, in-depth experience, and operational excellence to continually evolve your organization. KPMG can help you create nimble, scalable business functions that evolve alongside your organization as it grows. That helps you accelerate and sustain your transformation journey, keeping you ahead of your competitors—all while helping minimize disruption and risk. KPMG can help you:

- Identify partners, alliances, and vendors to fill capability gaps and boost your business goals
- Develop a strategy to build and manage a strategic network of partnerships and alliances
- Help to plan and manage partner ecosystems
- Evaluate the current methods and processes used for sharing data across partnerships
- Determine the anticipated increase in IT budget allocation towards enhancing the partner ecosystem

Authors



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Jeanne Johnson is a Principal and the Global and US Customer & Operations Digital Transformation Leader in the KPMG Advisory practice with extensive experience in strategic planning, performance management, program portfolio management, business and technology architecture, and deploying new operating models. Over the last 20 years, she has helped clients navigate significant change events such as mergers, regulatory mandates, disruptive technologies, and business transformation. Jeanne has led and delivered large-scale client solutions and data-driven transformations that include business intelligence, integrated reporting architecture and deployment, business and finance transformation strategies, target operating models and roadmaps, finance information and systems strategy, architecture and design, and enterprise data strategy and competency centers. Additionally, she has led and supported KPMG development and innovation initiatives, such as data and analytics strategy and roadmap, integrated information and reporting, global business intelligence encompassing performance management, information management, and analytics, as well as vendor alliance and service integration.

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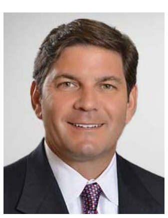
Todd Lohr is a Principal and the KPMG Head of Ecosystems and National Operations Leader for Advisory Markets. As Head of Ecosystems, Todd develops and executes KPMG's ecosystem strategy, which includes coordination of corporate joint ventures, technology alliances, suppliers, downstream partners, start-ups, academia and capital investors. He works with multiple KPMG teams to create new market offerings, develop the most innovative solutions for clients, and extend our reach into new markets and sectors by leveraging the latest technologies. Todd is also responsible for working with our technology partners to elevate our alliance program, which now exceeds more than $2bn in the US. Todd's extensive experience as a technology and innovation leader in various roles. Including as a Leader for Technology practice within Consulting and our Lighthouse team, has also elevated and scaled KPMG's own digital capabilities and technology relationships. He has been at the forefront of the firm's innovation agenda and will continue to champion growth in a critical ever-evolving tech landscape.



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Rick Rose is a senior leader focused on profitable growth with over 30 years' experience in a combination of professional services and operating company leadership roles. Rick works closely with business leaders on building and executing the strategies required to organically grow their business, primarily focused on customer development. He has successfully led customer-centered transformations in multiple industries consistently driving the improvement of customer experience and profitable revenue growth through existing and emerging channels, leveraging deep customer and market insights and new and innovative technology. He has specific depth in B2B2C business models and has introduced disruptive models in several industries.

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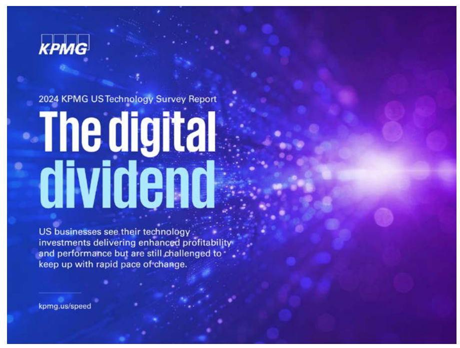

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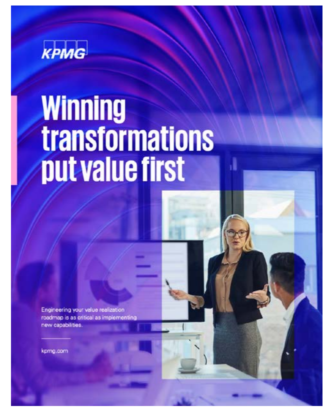

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