

Partnership keeps beating all the odds

NEWS ANALYSIS

Microsoft and Nortel's deal is helping clients improve the communication needs of employees, says Paul Taylor

Technology alliances, particularly those in the telecommunications sector, do not have a very good track record. Many like Alcatel's one-time partnership with Cisco, never really got off the ground while others, like BT's long-dead Concert partnership with AT&T fell apart at the first hurdle.

But Microsoft, the world's largest software group, and Nortel, the Canadian telecommunications equipment maker, are betting their one-year old strategic partnership, dubbed the Innovative Communications Alliance, will continue to beat the odds.

The alliance, hailed as a breakthrough deal by both Steve Ballmer, Microsoft's chief executive, and Mike Zafirovski, his counterpart at Nortel, was forged to help both companies compete more effectively against Cisco, which dominates the enterprise communications market - a rivalry acknowledged by Mr Ballmer in his "state of the IT industry" debate yesterday with John Chambers, Cisco's chief executive.

Both Microsoft and Nortel sense a business opportunity in the rapidly changing world of communications as companies combine voice and data networks into a single voice, video and data communica-

tions system based on the same IP technology that powers the internet.

"We are investing together because the communications industry is at an inflection point," Mr Ballmer said at the time of the deal with Nortel. One year on, the two partners claim the alliance, which combines Nortel's network equipment expertise and Microsoft's unified communications software, is on track.

"Our relationship with Nortel is an important component of our strategy for unified communications, and over the past year we've hit significant milestones," said Gurdeep Singh Pall, corporate vice-president for the unified communications group at Microsoft.

Steve Slattery, president of enterprise networks at Nortel, claims the alliance has been a tremendous success, "for us and our customers".

For Nortel, struggling to recover from an accounting scandal that plunged the Canadian group into losses and led to the replacement of a raft of senior managers, the early results do indeed look impressive. In the latest quarter, revenues from its enterprise business unit rose 23 per cent to \$590m, the fourth consecutive quarter of year-on-year growth.

While not wholly attributable to the alliance, Nortel ascribes the turnaround in the enterprise business at least partly to the relationship with Microsoft which has boosted Nortel's credibility as it competes against Cisco, the US networking equipment giant, in particular.

For Microsoft, which sees expanding demand for stand-

ards-based unified communications as the key to its ambitions in the enterprise network and telecommunications market, the partnership with Nortel provides both access and a level of industry expertise that it would have taken years to replicate internally.

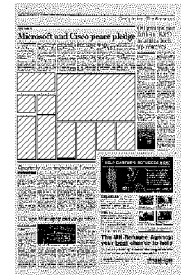
But perhaps more than any other factor, the early success of the partnership reflects the fact that it was designed to specifically address a real "pain point" for both companies' customers - the problem of managing the increasingly complex communications requirements of employees.

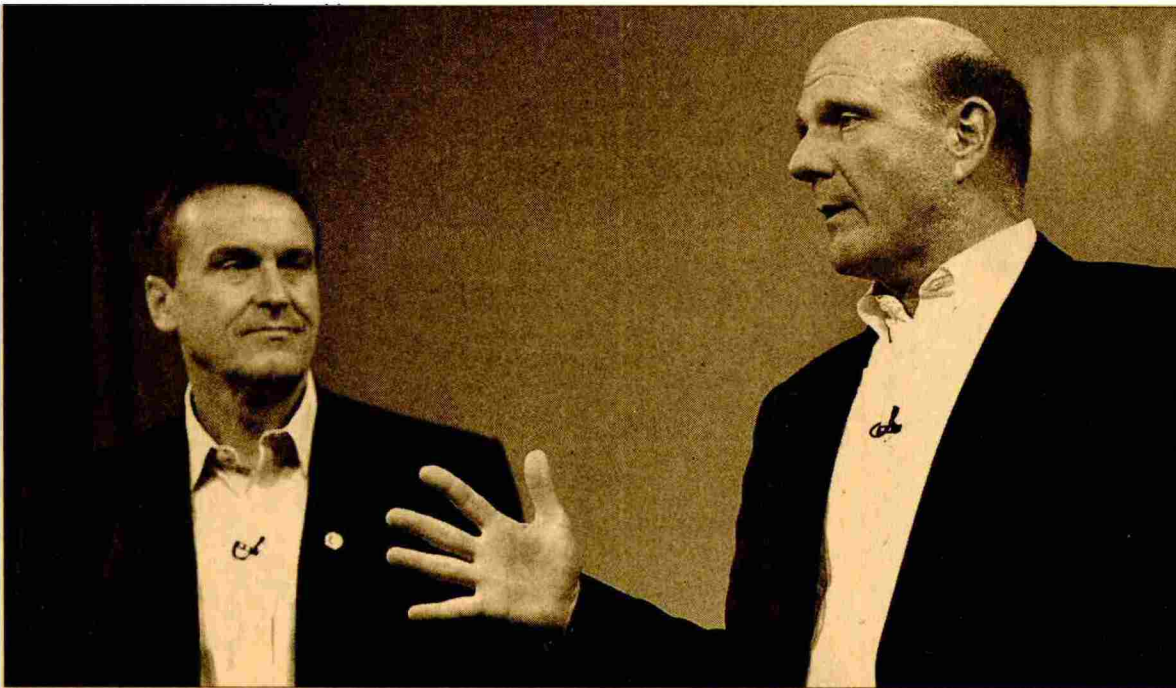
According to Microsoft, the average employee gets more than 50 messages every day on up to seven different devices or applications. "Software can and will help address the challenge of managing communications and this challenge is the driving idea behind our alliance with Nortel," says Mr Ballmer.

To help convince their customers, Nortel and Microsoft have set up more than 100 demonstration facilities across the globe, including two collaboration centres in Raleigh, North Carolina, and in the UK, where customers can bring their applications and test them out. Meanwhile, Nortel has trained and certified hundreds of its sales engineers and technicians on Microsoft products.

As a result, Nortel says it has sold more than 430,000 individual end-user licenses for joint offerings to more than 100 customers in 20 countries.

Current joint customers include multinationals such as Shell, BT, and International SOS, as well as educational establishments such as Indiana University and Thomas College and Worcestershire Health Information and Communications Technology Services, which serves three UK National Health Service trusts.





Allies: Mike Zafirovski (left) of Nortel and Steve Ballmer of Microsoft needed to raise their game against Cisco Bloomberg