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Siebel Systems: Partnering to Scale

> Establishing and maintaining strategic partnerships is a core competency and an imperative for Siebel Systems.
>
> —Thomas M. Siebel, Chairman & CEO

As Tom Siebel drove on Highway 280 to Siebel Systems' headquarters in San Mateo, California, he reflected on his company's unique alliance program. In May of 2001, the alliances organization managed partnerships with more than 700 companies that provided consulting services, software, hardware, and content that complemented Siebel business software. Industry observers credited Siebel Systems' alliance program with enabling the company to grow dramatically in the six years since it had shipped its first software. While Siebel was proud of the alliance group's achievements to date, he was also concerned about the challenges facing the organization going forward. In particular, he wondered how the alliance group could help Siebel Systems serve the middle market consisting of firms with revenues between $30 million and $250 million.

Background

In May 2001, Siebel Systems was recognized as one of the foremost enterprise software companies in the world. Siebel Systems was the leading vendor of customer relationship management (CRM) software (which Siebel Systems referred to as "*e*Business applications software") that enabled large corporations to consolidate their customer, product, and competitive information from multiple databases and sources to better manage their relationships with customers. Siebel Systems was one of the fastest growing companies in the history of the business software industry, with revenues increasing from $8 million in 1995 to $1,795 million in 2000 (see **Exhibit 1** for historical financial data). Siebel Systems' rapid growth placed the company at the top of *Fortune* magazine's list of the fastest growing companies in 1999, and it ranked in third place in 2000. Siebel Systems had exceeded analysts' earnings estimates every quarter from its initial public offering in June 1996 through the fourth quarter of 2000. The company enjoyed a market capitalization of approximately $20 billion in May 2001, and the company's stock had dramatically outperformed the NASDAQ index through May 2001 (see **Exhibit 2** for historical stock price performance).

Professor Donald N. Sull developed this case solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

The Birth of Siebel Systems

Tom Siebel joined database software vendor Oracle as an early employee in 1984 and was Oracle's most successful salesperson the next year. Following a series of rapid promotions through Oracle's sales and marketing organization, Siebel was named the vice president of Oracle's direct marketing division in 1988. While managing this division, Siebel identified the need for a software package that could help automate the sales process by providing sales representatives with real-time access to customer, product, and competitor information from different sources and databases within Oracle. He led an in-house effort to develop a salesforce automation system that increased Oracle's salesforce productivity by 40% in its first year. After leaving Oracle in 1991, Tom Siebel recognized that a well-designed salesforce automation program, like the one he helped develop at Oracle, represented an attractive market opportunity. While many companies had used information technology to automate so-called "back-office" functions such as manufacturing, supply chain management, and human resources, relatively few firms had deployed software to improve sales and marketing or "front-office" applications. Siebel teamed up with Patricia House, a former colleague at Oracle, to found Siebel Systems in July 1993, and the company shipped its first product in April 1995.

For every dollar a large corporate customer spent installing Siebel Systems' products, only 15¢ went to Siebel Systems as a licensing fee for the software, with the remaining 85¢ invested in consulting and implementation services, hardware, and supporting software. Siebel Systems targeted Global 1000 companies, which generated large deals for Siebel and its partners. The typical Siebel sales representative closed an average of $1 million deal each quarter. Tom Siebel opted to focus exclusively on software development and rely on consulting partners to install Siebel software. In September 1995, Siebel Systems entered into a strategic partnership with Andersen Consulting (renamed Accenture in 2001) in which Andersen Consulting agreed to promote the company's software as its preferred solution for sales and marketing software, while Siebel Systems would promote Andersen Consulting as its preferred partner for installing and integrating its software. Andersen Consulting took a 10% stake in Siebel Systems, and Andersen Consulting's managing partner, George Shaheen, joined Siebel Systems' board of directors. While working closely with Andersen Consulting, Siebel Systems would license the software directly to the customers rather than licensing it to Andersen Consulting for resale to the end user. In 1995, 46% of Siebel Systems' revenues came from customers using Andersen Consulting as their systems integrator. The partnership with Andersen Consulting was not exclusive, and by the end of 2000, Siebel Systems collaborated with more than 450 consulting firms.

A New-Economy Company with Old-Economy Values

Tom Siebel referred to Siebel Systems as "a new-economy company with old-economy values." He cited customer focus as one cornerstone of the firm's culture. Twice a year Siebel Systems commissioned an in-depth survey of customer satisfaction. Siebel Systems' top management analyzed the results of this survey and intervened whenever customer satisfaction levels fell below stringent targets. Customer satisfaction data drove salesforce compensation, and sales representatives' bonuses were tied to customer satisfaction levels one year after the sale closed. Siebel Systems' managers took symbolic measures to reinforce the focus on customers, including naming the company's conference rooms after customers and adorning its offices with artwork from customers' annual reports and advertisements.

Tom Siebel characterized professionalism as another core value:

> When people get off the plane from Munich or New York, they think they're in an environment that looks and is professional. Then they go to other companies and there's

> Nerf™ balls in the hall and people are wearing jeans. They come back and buy our products. We go to work to realize our professional aspirations, not to have a good time. We could be having encounter groups and yoga classes, and I could play the guitar in the rock and roll band at the company picnic. Instead, we're just trying to create good products, satisfied customers, and loyal employees. I think we're doing that.[1]

To ensure that Siebel Systems' headquarters in San Mateo, California and its offices around the world projected a uniform professional image, the company adopted a consistent color scheme for all of its facilities—off-white walls, medium-blue carpets, and gray desktops. As a matter of company culture, employees maintained a clean and orderly environment and refrained from eating at their desks. All employees who came into contact with customers, which included approximately one-half of Siebel Systems' 8,000 employees in May 2001, dressed professionally, wearing a suit and, for men, a tie.

Tom Siebel also stressed the importance of managing by objectives (MBO):

> Our philosophy is clear: our goals should be aggressive but obtainable. Our goal-setting process is equally clear: at the beginning of each quarter, the executive staff meets to discuss the company's goals for the quarter and establishes them by the 7th of the month. Department managers then set departmental goals by the 10th of the month, and employees set their individual goals by the 15th of the month. Every Siebel employee is thus accountable for a specific set of well-defined objectives, and performance evaluations are based on the employee's execution against his or her objectives. This process gives us the flexibility to adapt to fast-changing market conditions while maintaining the discipline of managing by objectives.

The quarterly performance objectives for all Siebel employees and executives were posted on the company's internal Web site, where they could be viewed by any employee.

The CRM Market in 2001

While Siebel Systems defined its market as "*e*Business applications software," most equity analysts and industry observers classified Siebel Systems as the leading vendor in the customer relationship management software market. CRM software was a broad category that included numerous individual applications, such as salesforce automation or call-center software, that were designed to help corporations establish and maintain stronger relationships with their customers. CRM systems enabled corporations to create a single source of information on customers, products, account status, and competitors. This consolidated information would be collected from all of the points of contact between a corporation and its customers, including the field salesforce, field service organization, call center, email, the Internet, resellers, retailers, and dealers. Individual CRM applications would then draw on this information to improve the effectiveness of the sales, marketing, and service functions. Salesforce automation software, for example, enabled field sales representatives to manage their sales pipeline, easily configure products and services to meet customers' unique needs, rapidly share information across sales teams, and track post-sales service and support. (**Exhibit 3** provides a diagram of customer relationship management software.)

The market for CRM software was estimated at between $4.6 billion and $6.8 billion in 2000 and was forecast to grow at a compound annual growth rate of between 33% and 49% through the early

[1] Quoted in Victoria Chang and Charles O'Reilly, "Siebel Systems: Culture as a Pillar of Success," Stanford Graduate School of Business case study, HR-14, March 2001, page 5.

years of the decade.[2] Analysts segmented the CRM market by applications, including software to automate processes in field sales, marketing, call center, field service, and product configuration.

Tom Siebel was not the only entrepreneur who recognized the opportunity to automate front-office operations, and several firms entered the CRM market before Siebel Systems. (See **Exhibit 4** for a summary of leading competitors in the CRM market.) Although Siebel Systems was not first into the market, the company had achieved clear leadership in the CRM market by 2001, offering the broadest suite of products of any CRM competitor (147 applications in 2001), controlling the largest market share in all segments in which it competed, and enjoying revenues an order of magnitude larger than most of the other CRM pioneers. Early entrants Vantive, Clarify, Scopus, and SalesLogix had been acquired by May 2001, and privately held Trilogy Software laid off one third of its total workforce. Equity analysts at Deutsche Bank Alex. Brown attributed Siebel Systems' rise to dominance in the CRM market to management execution, the strength of relationships with leading systems integrators, breadth and depth of the company's suite of software applications, and the high level of satisfaction among Siebel's customers.[3]

While Siebel Systems had pulled ahead of its early rivals, the company still faced significant competition from at least three fronts. First, many large companies chose to develop their CRM applications in-house. Siebel Systems also faced competition from companies such as Oracle, SAP, and PeopleSoft that had traditionally provided software applications to automate back-office functions but had targeted front-office applications for future growth. Finally, Siebel Systems faced competition from up to 400 new ventures that entered the market in the mid- to late-1990s to pursue opportunities in the CRM market arising from the explosive growth of the Internet. The rapid growth of the Internet increased the number of customer touch points to include e-mail, chat rooms, and on-line customer support, which in turn created opportunities to develop new applications to help companies manage these points of contact. The new entrants used a Web-based architecture and focused narrowly on applications such as managing customer e-mail or on-line marketing data that arose as the result of widespread corporate adoption of the Internet to interact with customers. By 2001, however, many of these companies had been acquired or ceased operations, and even leading players such as Kana and Broadbase (acquired by Kana in 2001) were perceived to face significant competitive challenges going forward.[4]

Siebel Alliance Program

Potential Siebel customers generally required system integration services, server and client hardware, complementary software, and in some cases, content (such as industry data or credit ratings) that could be integrated with Siebel software. In 2001, Siebel Systems continued to focus on developing and delivering applications software and relied on a network of partners—which executives referred to as the "Siebel Ecosystem"—to provide complementary components to customers. In the first quarter of 2001, Siebel Systems had formal alliance agreements with 729 partners organized into five categories—i.e., consulting, software, platform, content, and global strategic partners, such as Accenture and IBM, which made significant commitments to Siebel

[2] The lower market size and growth rate were from Scott Phillips et. al., "The Software Landscape," Merrill Lynch report, 24 October 2000, Table 1. The higher estimates were from AMR Research reported in "Outlook: Enterprise Applications," *Networked World*, 23 April 2001, page 80.

[3] Timothy J. Dolan and R. Scott Zeller, "Siebel Systems: After conquering CRM, Siebel's poised to become a dominant vendor in the e-business markets as well," *Deutsche Bank Alex. Brown research report*, 8 November 2000.

[4] Marc L. Songini, "CRM market appears headed for a shakeout," *ComputerWorld*, 16 April 2001, page 23.

Systems and often collaborated across more than one category. Collectively, these partners influenced and helped generate approximately 75% of Siebel Systems' $1.1 billion in 2000 licensing revenue. Industry analysts frequently cited Siebel Systems' network of partnerships as critical to the company's rapid growth, and in 2001, *Forbes* magazine selected the company as the leader in partnering in the computer applications market, ahead of runner-up IBM.

Engineering Alliances

Siebel Systems' alliance group, with 200 total employees in May 2001, was responsible for managing the company's network of partners. Tom Siebel hand-picked Bruce Cleveland, Siebel Systems' senior vice president of marketing to found the company's alliance program in 1998. Prior to joining Siebel in 1996, Cleveland spent more than 20 years in senior positions at Oracle, AT&T, and Apple and spent several of those years at Oracle working directly for Tom Siebel. Cleveland recalled the impetus for starting the alliance program:

> In 1997, Siebel Systems began to be noticed by many companies as a significant player in the software industry. Consequently, we received a lot of phone calls from other software companies and consulting companies wanting to work with us, saying: "I've sent multiple e-mails and left voicemail, and we'd really like to work with you but we don't know who to contact." At that time, we were only working with four or five partners and the entire energy of the company was placed behind those partnerships. The truth is that we were still a relatively small company and weren't set up with a formal infrastructure to handle a volume of partners. At the time, I was the vice president of marketing, and often these calls from potential partners were forwarded to me. This issue was surfaced at our quarterly offsite meeting held in October, 1997 at Lake Tahoe, CA and after discussing what a formalized alliance program might contain, Tom assigned me the task of fleshing out a comprehensive partnership program.

Cleveland was well aware of the challenges that partnership groups faced in other companies:

> Based on my 20 years as a victim of poorly designed partnership programs, I realized that most companies form agreements that don't obligate either partner to commit any resources. Consequently, alliance managers are forced to tin-cup their way through the organization trying to raise funds to execute their initiatives. And, unfortunately, in many companies I've found that the alliance group has little authority in the organization. Consequently, the best people gravitate away from that group—they have absolutely no power. So you find that some of your least skilled folks are assigned to work on some of your most important partnerships. They're completely unempowered and unable to execute anything. The other problem is that the alliance organization is typically a façade for sales or product development. If it's shoved under the product development group, they usually aren't interested in an alliance as a means to build the business. They just want to make sure the partner's product works with their product. How the product gets sold or marketed or anything else is not usually an important objective for the product development group.

When he set out to draft Siebel Systems' alliance program in late 1997, Cleveland explicitly set out to avoid the problems he had observed in other companies' partnership groups.

> I approached designing the alliance program as an engineering problem—that is to disaggregate all the problems that are associated with partnering and then to work backwards to solve those problems. When we started out, I said why don't we go look at great companies that are in a similar industry. Companies like SAP, Oracle, PeopleSoft, and Microsoft. I

> wanted to take a look at what they had done in the past and see if I could learn something from their programs. You'd read that they had a technology alliance program or a marketing alliance program and various other forms of alliance programs. But the net of all my research, after I really looked at them, was that they basically obligated neither company to much of anything. The alliance programs, as far as I could tell, had no discernable business objectives. There was no substance—other than maybe a press release. So I thought, where can I get an example of a great partnering program. And the epiphany I had was that I didn't know about a great program, but I could definitely point to five relationships that were working pretty well, and they happened to be the partnerships Siebel Systems had at the time. I was able to look across our software relationship with Microsoft, our hardware relationship with Compaq, and our consulting relationship with Andersen, and I just disaggregated the logical components that comprised why those relationships were working.

In the course of analyzing Siebel Systems' successful alliances, Cleveland concluded that the most productive alliances worked well because they were run as businesses with clear objectives, with the resources necessary to meet those objectives, and dedicated managers accountable for achieving those goals. Andrew Forssell, a graduate of West Point and the Harvard Business School, worked closely with Cleveland and later recalled: "We wanted the partnerships to be real businesses, and we thought hard about how to ensure alliances clearly paid for themselves, rather than being just corporate overhead." In addition to designing the alliance program as a business, Siebel managers wanted to ensure the program could scale. Forssell explained:

> In the company as a whole, we wanted to make sure that we wouldn't build in any constraints to growth. In alliances, we assumed we would ultimately have 500 partners—which was laughable in the first quarter of 1998 when we had only four or five partners. But we asked ourselves, when we have 500 partners, how will we manage? What can go wrong if things go right? How can we avoid these problems?

Cleveland and his team proposed four components of the alliance program—i.e., a matrix defining partner categories and levels, an alliance program guide, business plans, and dedicated managers.

The Matrix

While Cleveland and his team were generally unimpressed with existing partnership programs, they did learn one useful lesson from their study of alliances in the software industry. April Young conducted the review of best practices in alliances in early 1998 and later recalled: "We learned it was important to structure a program around types of partners and tiers." Forssell recalled that the team defined the categories of partners by asking who else made money whenever a customer purchased Siebel software and quickly identified three categories of partners. Consulting firms, such as Andersen Consulting and Cambridge Technology Partners, helped customers integrate Siebel applications into their existing information technology systems and provided additional services such as end-user training. Software partners provided products that worked with Siebel applications. Platform partners provided hardware, database systems, network services, and operating systems upon which Siebel applications ran. In mid-1999, Siebel Systems added a fourth category—content partners—that included companies such as Dun and Bradstreet, which provided data that complemented the functionality of Siebel software.

After defining three categories of partners, Cleveland and his team set about establishing the levels of partnership within each category. Cleveland recalled:

> Tom wanted to keep the program as simple and straightforward as possible. Consequently, we proposed to support three categories, and three tiers. For important partners like Andersen Consulting, we needed a strategic level, and I more or less knew what that level would require. At the lowest level, I wanted to use technology to make it self-service. I didn't want to personally be on the phone answering a lot of questions over and over again. So if I could anticipate all the possible questions base-level partners might ask and put the answers into a guide that could be downloaded from the Web, and if I also created an application process on the Web, we could eliminate 90% of the phone calls. Then we were left with the middle; these were typically bigger companies but not as strategic as the top tier. Here, we basically crafted something that fit between our base and strategic partners.

In 1999, Siebel Systems added the global strategic level to accommodate companies like IBM, which made significant alliance investments and often spanned more than one category, and by January 2001 seven companies were included in this level. Tom Siebel worked directly in structuring these partnerships, mastering the details of the contract, and participating throughout the entire negotiation to ensure global strategic partners' full commitment to the relationship. (**Exhibit 5** overviews Siebel's partners by category and level).

Alliance Program Guide

After designing the matrix, Cleveland and his team turned to spelling out the terms of the alliance agreement for each cell in the matrix. Tom Siebel's firm directive was to avoid vague partnership deals in which neither party knew what was required of the other or what they were expected to contribute to the alliance. In April 1998, the team completed the Siebel Alliance Program Guide version 1.0, a 42-page document that introduced the company, described the categories and levels of partnership, elaborated the requirements and benefits for partners, and included an application form. To participate in this alliance program, companies had to pay an annual program fee ranging from $5,000 to $50,000. Premier and strategic partners were also required to assign a dedicated alliance manager to the Siebel partnership. Consulting partners were required to contribute a minimum of $500,000 per year (premier level) to $1,000,000 (strategic) to a joint market development fund, which the Siebel Systems' and partner alliance managers then jointly invested in marketing programs such as industry tradeshows and joint advertising. Strategic and premier consulting and platform partners were also required to adopt Siebel applications as their standard CRM software internally, and consulting partners were required to maintain a minimum number of consultants—ranging from one for base partners to 500 for strategic—each of whom was trained to implement Siebel Systems' software. In return, Siebel alliance partners received several benefits, including access to an alliance manager, joint marketing opportunities, Siebel's training and certification, and technical support. (**Exhibit 6** lists the requirements and benefits for consulting partners from the first version of the Alliance Program Guide.)

Once the Alliance Program Guide codified the requirements and benefits for each type of partner, Tom Siebel insisted that the terms of the deal were not subject to negotiation and made clear to Cleveland that he would support strict enforcement of the program's benefits and requirements. Enforcing these terms strictly helped Siebel Systems manage potential conflicts among partners or channels. Mercedes Ellison, one of the original alliance directors and now VP of Consulting Platform Alliances, recalled:

> We told potential partners: "You have a choice of what level you sign up for—base, premier, or strategic. But once you've signed up, we don't negotiate on requirements." There were great benefits to putting in place and protecting this rigid system. Alliance managers were able to withstand short-term pressure to compromise on marketing funds and training to

build for the longer term. It also kept the alliance managers from giving away fees or free software and technical support to close deals. As long as you stuck to the requirements and benefits outlined in the Program Guide, you had total flexibility to manage your alliance like your own business.

Cleveland's team was initially concerned that potential partners would balk at the terms laid out in the Program Guide. Some potential partners were reluctant to train their consultants and commit marketing funds in advance of realizing sales from Siebel products. Forssell recalled:

> We knew there was a chance that potential partners might find our "Hollywood Squares" diagram (i.e., the matrix) and our terms too rigid. But people in the software industry bought into the structure. We had data on the market growth and the return on investment if they partnered with us. They realized that we had a great product and were willing to take a bet on Siebel. And a lot of our partners actually appreciated the clarity of the program.

After officially launching the program in April 1998, Siebel Systems increased the number of partners from a half dozen to 65 by August and 137 by December 1998. (**Exhibit 7** provides measures of the Siebel alliance program over time).

Partner Plans

Cleveland observed that partner plans were common to the successful Siebel relationships:

> In the partnerships that worked well, we created a business plan with the partner that defined our joint development and selling objectives. These were written plans that had revenue goals and milestones. Siebel Systems and the partner would get together every quarter to review progress against the plan. For example, our Andersen Consulting alliance team would meet on a quarterly basis with the Andersen Consulting folks to discuss: "Are we meeting our revenue objectives? Did we execute the marketing we had planned? What about the pipeline?" The alliance team would figure out what we wanted to do more of and what we wanted to do less of, and that would become the refocused plan for the next four quarters. We'd run the alliance just like we'd run our own business.

As long as they met the requirements laid out in the Program Guide, Siebel Systems' alliance managers were free to set objectives for their alliance and develop a plan to meet these objectives. Objectives in the typical partner plan included the number of trained and certified consultants, the level of marketing funds invested, the number of deals brought in by the partner, and revenue goals for both Siebel Systems and the partner. Alliance managers were required to work with their counterpart at the partner company to draft a detailed partner plan within 60 days of signing the initial alliance agreement. After both alliance managers had agreed to the plan, the partner was required to obtain sign off on the plan from a senior executive in their organization to ensure top management commitment. Thereafter, the alliance managers, along with executives in both companies, would meet on a quarterly basis to review progress towards their agreed-upon objectives and discuss planned activities. For the key global strategic partners, Tom Siebel would often join quarterly reviews or help resolve issues around joint-customers.

Mini CEO

Alliance managers were responsible for overseeing all aspects of a partnership. Their primary responsibilities included developing a strategy for the partnership and translating it into concrete objectives, securing the support within Siebel Systems and the partner's organization to achieve those objectives, managing the pipeline of joint sales, planning and executing joint marketing programs, and reporting results to Siebel's management. Siebel Systems' seven global strategic partners had an average of 10 to 12 alliance managers in May 2001, the 30 strategic partners generally had a single manager dedicated to the partnership full time, while one alliance manager would generally oversee anywhere from three to six premier partners depending upon each partner's past performance, growth, and potential to advance to the strategic level. Base-level partners were not assigned an alliance manager and were handled out of an email inbox manned by one to two people who generally responded to partner inquiries within 24 hours. Alliance managers were evaluated on how well they performed against the objectives for the partnerships they oversaw. Their performance bonus, which represented between 20% to 25% of their salary, depended upon meeting the objectives. Approximately one third of the bonus was linked to partner satisfaction, which was measured on a quarterly basis for all partners.

The alliance group was initially staffed with MBAs—13 of the first 15 employees in the group were recent business school graduates. Cleveland explained the rationale for hiring so many MBAs:

> Tom knew that if Siebel Systems continued to grow at its unprecedented pace, we were going to need a cadre of competent mid-level managers in the near future. His strategy was to recruit and train this talent from the best business schools in the world. The alliance organization served as a great learning environment. MBAs could help us write business plans and do the market development work—the kind of thing they can actually do directly out of business school—and we partnered them with industry professionals with years of experience. So, we basically designed the alliance manager position as a two-year training program, with the *quid pro quo* being that we get our business development and planning capabilities and the MBAs get training in what eBusiness is all about and also how to sell and how to market. Other software companies look at us and say: "MBAs can't really do that much directly out of school. We'll take a couple and put them into a special program." At Siebel, though, we'll take as many as you can send.

In May 2001, for example, more than twice as many alumni of Harvard's MBA program worked at Siebel Systems (48 alumni) as at Oracle (14), SAP (6), PeopleSoft (1) and Baan (1) combined. As the alliance organization grew, Cleveland hired seasoned business development veterans out of industry, some of whom had decades of industry experience. By May 2001, Siebel Systems' alliance managers were split approximately half and half between recent MBAs and experienced industry hires.

Siebel Systems' employees frequently referred to the alliance manager as the "mini CEO of a virtual business." The partner matrix, Program Guide, partner plan, and other processes were designed to enable the alliance managers to work more effectively as CEOs. Catherine Cherubino, one of the earliest alliance managers, observed:

> From the beginning, we were general managers of a business. It might have been one large business if you were handling a big account or it might have been several of these premier accounts. And the concept was that we were putting in place tools and a program to help you get your job done, and we wanted you to concentrate on your strategy. At first, we had to figure it all out ourselves. I remember well writing my first business plan for 1999 because I was typing it at 5:30 in the morning on Christmas Eve at my parents' house where I was staying. None of us had written a plan before, so we all went off and wrote our own. Now a template has evolved that gives people a place to start. In the olden days, phone calls to the alliances were routed to a single telephone in-box. Every alliance manager had to rotate and take turns answering the messages. You would be on the road and you'd think: "Oh no, I'm on today." And when you went back to your hotel room, there would be 25 messages to answer. Now we have an alliance operations group that answers those calls. So the concept

> now is: Here's a business, you're going to write a plan, you've got some tools in place. You don't need to be creative in how your partner plan looks, you need to be creative in the content. You don't have to worry about contracts. We didn't hire you to negotiate a contract. We have lawyers to do that, and the contracts are standard anyway. Focus on running your business so it's profitable for both parties.

Juan Betancourt—a Wharton MBA who joined Siebel Systems in 1999—was the alliance manager for Extraprise, an international consulting firm founded in 1997 that focused on customer relationship management. Betancourt spent approximately half his time—30 to 40 hours per week—managing the Extraprise alliance. Betancourt's quarterly objectives for the Extraprise partnership included closing 12 deals and $5 million in Siebel software license revenue, $175,000 in Extraprise marketing development investment, and 15 consultants trained and certified to implement Siebel software.

Betancourt began a typical week with a Monday morning staff meeting in which his manager updated her direct reports on the issues that rolled down the Siebel Systems hierarchy through a series of staff meetings starting with Tom Siebel and his team. Early in the week, Betancourt would hold an hour-long telephone meeting with his counterpart alliance manager at Extraprise in which they would spend 30 to 45 minutes reviewing the status of each deal in the pipeline to surface opportunities and issues to be addressed during the week. Another 10 minutes were devoted to Betancourt outlining marketing opportunities that Extraprise might want to invest in, such as sponsoring a booth in Siebel Systems' annual User Week conference or jointly hosting dinners to discuss customer relationship management with CEOs of potential customers. The remainder of the phone call would revolve around other miscellaneous issues, such as the status of software shipments, questions about training programs, etc. This conversation set the agenda for the week, and the two alliance managers reviewed their progress in a phone call at the end of the week. In addition to these regular meetings with his counterpart, Betancourt would set up a few ad hoc meetings with his direct manager in a typical week to discuss issues with the partnership, such as a special request for new software or avoiding conflict with another consulting partner attempting to engage an Extraprise-Siebel account.

In a typical week, Betancourt estimated that he made 20 to 30 brief phone calls or emails to his counterpart at Extraprise—Mark Phillips—to collect information, check progress, flag potential problems or opportunities, or follow up on earlier conversations. He also served as the liaison between Extraprise and various parts of the Siebel organization. He made an additional 10 to 12 calls or emails each week to the Siebel sales representatives—or district managers (DM) as they were known—responsible for selling software licenses to customers for whom Extraprise was the system integrator. In these calls, he gathered information on pending deals, updated the DM on Extraprise activity at an account, or ensured alignment between the DM and Extraprise. The DM "owned" Siebel Systems' relationship with the customer, and Siebel alliance managers rarely spoke directly to customers. In a typical week, Betancourt made an additional 12 to 15 short phone calls or emails to various parts of the Siebel organization, including legal, education, technology, and corporate marketing, to gather data or resolve problems on behalf of Extraprise.

While he devoted most of his time to managing the interface between the Extraprise and Siebel organizations through telephone calls and emails, Betancourt also spent at least three hours of each day at the computer. Betancourt used Siebel Systems' internal CRM systems—dubbed eBiz—to maintain his daily calendar, fulfill Extraprise requests for product literature, verify and enter data on joint Siebel Systems-Extraprise sales opportunities, track the daily progress of deals in the sales pipeline, and enter his activities impacting either Extraprise or joint accounts. Betancourt used Siebel Systems' corporate portal—known internally as "mySiebel"—to track down information within Siebel that enabled him to respond to Extraprise requests for data on Siebel-sponsored marketing events, education, and product offerings. Through "mySiebel," Alliance managers were also required to post their quarterly objectives, maintain weekly updates on deal status for senior management, and complete five Web-based training courses per quarter. Siebel Systems offered 250 of these training courses, which lasted one to two hours and provided in-depth information about new product offerings and best practices in working with alliance partners (see **Exhibit 8** for a description of a typical alliance manager position).

Moving Mid-Market

As Tom Siebel turned into the Siebel Systems' campus, his thoughts now turned to how the alliance group could support Siebel Systems' efforts in the middle market. Siebel managers defined the middle market as all companies with 500 to 999 employees and revenues of $30 million to $249 million and estimated the segment included approximately 29,000 firms in the United States in 2001 (see **Exhibit 9** for a breakdown of the CRM market by size of customer). According to the company's analysis, Siebel Systems accounted for 58% of CRM software license revenues in the middle market in the first quarter of 2001, followed by SalesLogix with 14% market share, Onyx (13%), and Pivotal (10%). Siebel's competitors in the middle market sold primarily to small customers through resellers.

Tom Siebel considered the middle market an important source of future revenue growth as smaller companies followed the lead of large enterprises in installing CRM systems. He also wanted to prevent established competitors PeopleSoft, Oracle, and SAP from gaining a toehold in the middle market. While the middle market was an important segment for Siebel Systems, serving that market posed challenges to the company's resource-intensive sales and partnering model. The average deal size in the middle market was 100 users and $100,000, according to Brett Queener (HBS 1997), compared to an average deal of 1,000 users and $1 million among Siebel's enterprise customers. While they made smaller purchases, middle market customers still required significant consultation and advice before investing in a CRM system. Siebel Systems thus faced the challenge of how to serve this segment without committing more resources than the customer's profitability warranted.

In May 2001, Siebel Systems served the middle market primarily through its channel sales organization. This group was located in the sales division, rather than alliances, and consisted of approximately 40 business development, field sales, and technical sales staff compensated on a sales quota, in addition to ten operational support staff. The channel sales group sold through a network of approximately 50 companies who then resold the software to end users through their own salesforce. Some resellers, such as Lawson Software and J.D. Edwards, produced their own back-office software and bundled their product with Siebel Systems' to offer an integrated solution to smaller companies. Siebel Systems also worked with distributors such as Great Plains Software (acquired by Microsoft in 2001), which resold the software to small consulting firms, which in turn sold the software and installed it for the end user. Siebel Systems generally split the margin evenly with the resellers, but occasionally had to relinquish more than 50% when multiple resellers were involved in the sale. Resellers were required to market Siebel products, invest in training, and certify the sales force and technical staff needed to sell and support Siebel software and provide technical support.

The resellers provided Siebel Systems' sales coverage in markets that the company might otherwise not serve, and brought an installed base of existing customers. By working with resellers, moreover, Siebel Systems was able to "outsource" its sales and marketing functions in the middle market, thereby avoiding the costs of maintaining a field service organization dedicated to this segment. On the other hand, with 50 employees working with resellers, the channel sales program was resource intensive, particularly since the average middle market deal was relatively small and less profitable than direct sales in which Siebel Systems did not split the margin. In addition, the reseller controlled the relationship with the end user, which made it difficult for Siebel Systems to monitor and ensure customer satisfaction. At the high end of the middle market, moreover, Siebel Systems' resellers sometimes competed directly with the company's own salesforce and alliance partners. To address these challenges, the channel group considered several options, including dramatically reducing the margins paid to resellers and encouraging them to make their profits installing the product, reducing the number of Siebel employees dedicated to the channel organization, and Siebel Systems assuming direct responsibility for customer support.

In May of 2001, Tom Siebel was considering an alternative approach to channel sales in which the company would serve the middle market through the alliance group. While Siebel had not worked out all the details of how the program might be implemented, he had discussed the broad outlines of the proposed alternative. Siebel Systems would target the high end of the middle market (i.e., average deal size of $250,000) and collaborate with 25 to 50 consulting partners selected from the ranks of their 442 current base-level consulting partners. The consulting partners would walk customers through the process of evaluating and specifying the CRM solution, but Siebel telephone sales representatives would close the sale of Siebel software. Siebel Systems would initially staff the group with two associate alliance managers, each of whom would be responsible for approximately 20 to 25 partners, as well as a few incremental telephone sales representatives. In addition to the associate alliance manager, partners would receive sales and marketing support such as Siebel demo software, generic slide presentations to walk potential customers through the advantages of Siebel Systems' offerings, and process diagrams detailing best practices in the sales process. In return, Siebel Systems would require partners to train a fixed number of consultants and salespeople to provide Siebel Systems with detailed information on all potential deals, commit to one incremental deal of at least $250,000 per quarter, and meet customer satisfaction targets to remain in the program.

As Siebel pulled into his parking space, he wondered how the alliance group could support Siebel Systems' efforts in the middle market. Should primary responsibility for serving the middle market reside in the alliance group or should Siebel Systems maintain or even increase their investment in the channel sales approach? Should a new level in the matrix be created to serve middle market customers? If so, what deal should Siebel Systems strike with potential partners? Would the alliance approach scale as well as the reseller model as sales to the middle market increased? How should the manager's role be structured so a single associate alliance manager could work with 20 to 25 partners? He turned the options over in his mind as he headed toward his office.

Exhibit 1A: Summary Financial Highlights ($ millions except where noted)

	Year Ended December 31							
	1993	1994	1995	1996	1997	1998	1999	2000
Total revenues	0	0.1	8	113	226	418	813	1,795
Operating income (loss)	(0.1)	(1.8)	0.4	14	8	64	161	322
Net income (loss)	(0.1)	(1.8)	0.3	10	560	42	110	222
Total assets	0	1.2	16	211	276	464	1,276	2,162
Stockholders' equity	0	1.1	9.9	173	213	299	645	1,280
Long-term debt	0	0	0	0	0	0	300	300
Number of employees	20	67	216	553	1,030	1,655	3,604	7,389
Market capitalization	n.a.	n.a.	n.a.	907	1,795	3,089	16,917	29,917
Shares outstanding (millions)		132	132	269	343	364	402	442

Exhibit 1B: Consolidated Statements of Operations and Comprehensive Income ($ thousands)

	Year Ended December 31		
	1998	1999	2000
Revenues:			
Software	$294,728	$510,874	$1,114,753
Professional services, maintenance and other	123,133	302,587	680,631
Total revenues	417,861	813,461	1,795,384
Cost of revenues:			
Software	5,656	8,150	17,311
Professional services, maintenance and other	66,773	178,113	426,458
Total cost of revenues	72,429	186,263	443,769
Gross margin	345,432	627,198	1,351,615
Operating expenses:			
Product development	46,385	81,053	145,514
Sales and marketing	183,323	311,337	688,612
General administrative	37,755	73,621	158,450
Merger-related expenses	13,500	-----	36,504
Total operating expenses	280,963	466,011	1,029,080
Operating income	64,469	161,187	322,535
Other income, net	6,486	15,090	61,875
Income before income taxes	70,955	176,277	384,410
Income taxes	28,665	66,252	162,511
Net income	42,290	110,025	221,899
Distributions to preferred stockholders	(39)	----	----
Accretion of preferred stock	(325)	(53,164)	(98,755)
Net income available to common stockholders	$41,926	$56,861	$123,144

Source: Siebel Systems, Inc. Fiscal Year 2000 10K report.

Exhibit 1C: Consolidated Balance Sheets ($ thousands)

	December 31	
	1999	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 486,321	$ 751,384
Short-term investments	198,878	401,200
Marketable equity securities	141,939	14,285
Accounts receivable, net	300,468	521,358
Deferred income taxes	----	61,825
Prepaids and other	33,401	92,825
Total current assets	1,161,007	1,842,877
Property and equipment, net	60,624	189,610
Other assets	53,970	97,546
Deferred income taxes	---	31,708
Total assets	$ 1,275,601	$ 2,161,741
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 12,944	$ 24,113
Accrued expenses	131,824	355,159
Deferred revenue	89,240	202,523
Deferred income taxes	15,025	---
Total current liabilities	249,033	581,795
Convertible subordinated debentures	300,000	300,000
Deferred income taxes	1,439	----
Total liabilities	550,472	881,795
Mandatorily redeemable convertible preferred stock	80,459	----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; $0.001 par value; 3,222 shares authorized; 2,819 and no shares issued and outstanding, respectively	3	---
Common stock; $0.001 par value; 800,000 shares authorized; 402,799 and 442,392 shares issued and outstanding, respectively	403	442
Additional paid-in capital	461,270	1,062,599
Notes receivable from stockholders	(548)	(1,623)
Deferred stock compensation	(3,550)	(15,199)
Accumulated other comprehensive income	83,988	7,479
Retained earnings	103,104	226,248
Total stockholders' equity	644,670	1,279,946
Total liabilities and stockholders' equity	$ 1,275,601	$ 2,161,741

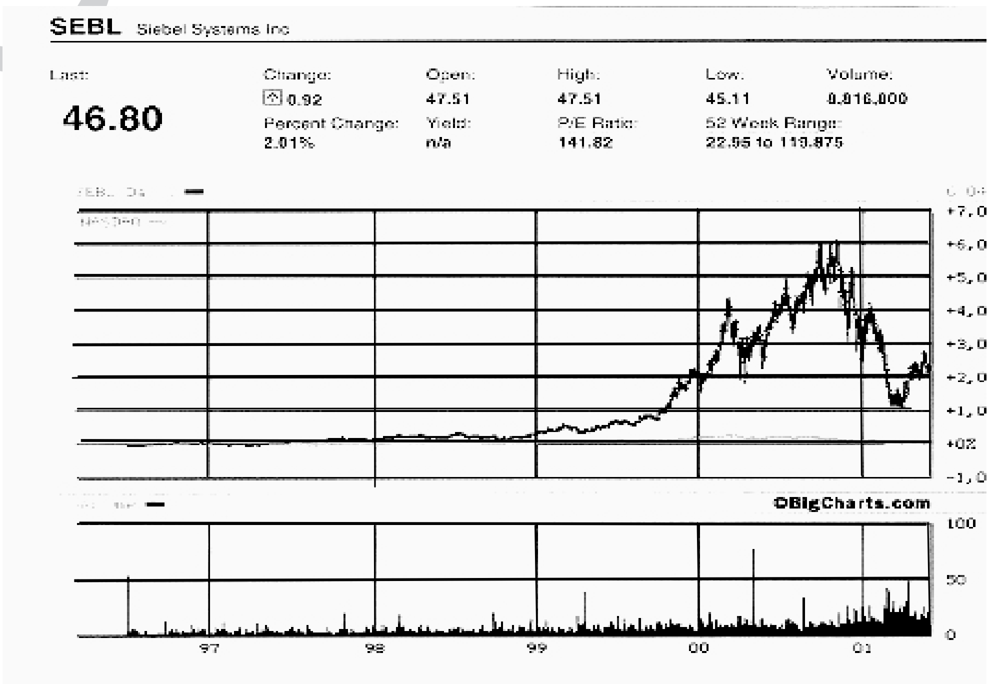
Source: Siebel Systems, Inc. Fiscal Year 2000 10K report.

Exhibit 1D: Consolidated Statements of Cash Flows

	Year Ended December 31		
	1998	1999	2000
Cash flows from operating activities:			
Net income	$ 42,290	$ 110,025	$ 221,899
Adjustments to reconcile net income to net cash provided by operating activities:			
Compensation related to stock options	288	1,180	11,491
Compensation related to stock warrants	54	269	----
Depreciation and amortization	13,936	24,155	51,391
Exchange of software for cost-method investments	----	----	(13,068)
Loss from equity method investee	----	----	7,481
Deferred income tax	(9,188)	(18,217)	(62,059)
Tax benefit from exercise of stock options	13,517	91,679	185,613
Loss on disposal of property and equipment	4,557	737	13
Write-down of acquired companies' assets to be disposed	----	----	2,298
Gain on sale of short-term investments and marketable equity securities	----	(12,343)	(60,901)
Charitable contribution of marketable equity securities	----	----	28,700
Provision for doubtful accounts and returns, net	6,661	8,111	39,385
Changes in operating assets and liabilities:			
Accounts receivable	(70,120)	(175,842)	(258,882)
Prepaids and other	(7,009)	(16,705)	(58,464)
Accounts payable and accrued expenses	60,294	40,745	230,807
Deferred revenue	31,150	35,952	112,864
Net cash provided by operating activities	86,430	89,746	438,568
Cash flows from investing activities:			
Proceeds from sales of marketable equity securities	----	----	35,351
Purchases of property and equipment	(40,641)	(45,604)	(162,186)
Purchases, sales and maturities of short-term investments, net	(58,454)	(35,458)	(197,800)
Proceeds from disposal of property and equipment	----	13,284	25
Cash acquired in acquisitions	(31)	993	----
Purchase of LivePage Corporation	----	(802)	----
Purchase of Archer Enterprise Systems	----	(441)	----
Purchase of Paragren Technologies, Inc	----	----	(18,050)
Purchase of Mohr Development, Inc., net of acquired case	----	----	(7,905)
Purchase of Wind S.r.1	----	----	(3,257)
Other non-operating assets and non-marketable securities	(2,641)	(22,519)	(18,084)
Advance to affiliate, net	----	----	(12,362)
Net cash used in investing activities	(101,767)	(90,547)	(384,268)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net of repurchase	28,987	76,233	189,173
Proceeds from issuance of preferred stock, net of repurchase	10,544	33,139	19,975
Proceeds from issuance of convertible debt, net	----	291,316	----
Borrowings on line of credit	1,542	5,874	----
Repayments of line of credit and capital lease obligations	(91)	(7,937)	(299)
Subchapter S distributions	(2,546)	(2,080)	----
Repayments of stockholder notes	----	----	78
Net cash provided by financing activities	38,436	396,545	208,927
Effect of exchange rate fluctuations on cash and cash equivalents	(203)	115	1,836
Change in cash and cash equivalents	22,896	395,859	265,063
Adjustments to conform acquired company's year end	(4,140)	----	----
Cash and cash equivalents, beginning of period	71,706	90,462	486,321
Cash and cash equivalents, end of period	$ 90,462	$ 486,321	$ 751,384

Source: Siebel Systems, Inc. Fiscal Year 2000 10K report.

Exhibit 2: Siebel Systems Stock Price Information



Company Data

Company Name: Siebel Systems Inc

Dow Jones Industry: Technology, Software

Exchange: NASDAQ NM

Shares Outstanding: 453,140,000

52-Week EPS: 0.33

52-Week High: 119.875 on Monday, November 06, 2000

52-Week Low: 22.95 on Tuesday, April 03, 2001

P/E Ratio: 136.45

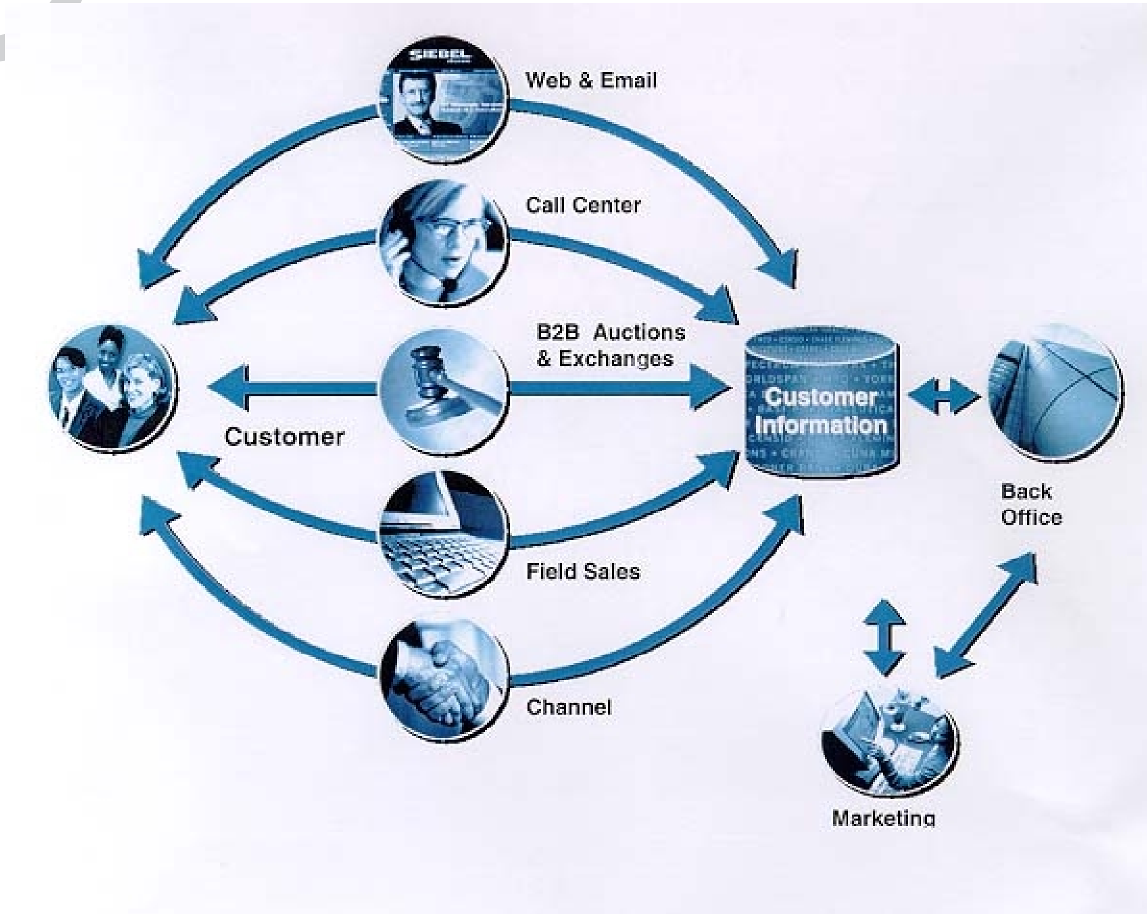
Yield: n/a

Average Price: 43.18 (50-day) 67.74 (200-day)

Average Volume: 16,959,900 (50-day) 13,833,800 (200-day)

Source: BigCharts.com.

Exhibit 3: Schematic Diagram of the Customer Relationship Management Software Market



Note: Siebel referred to its suite of software applications to serve this market as the "Siebel Systems eBusiness Multi-Channel Solution."

Source: Siebel Systems.

Exhibit 4: Profile of Competitors in the Customer Relationship Management Market

Market share of five largest competitors in a segment

	field sales	marketing	call center	field service	business development	mid-sized companies	configurator	web service	year founded	2000 sales ($ millions)	market value ($ millions)	Comments
CRM software companies offering multiple applications												
Trilogy							27%		1990	n.a.	n.a.	private
Vantive			9%	10%					1990	n.a.	433	acquired by PeopleSoft October 1999
Clarify			9%	8%				17%	1990	n.a.	2,100	acquired by Nortel third quarter 1999
Pivotal	7%					10%			1990	53	585	public company
Siebel	76%	41%	72%	61%	65%	58%	55%	34%	1993	1,795	21,200	public company
Onxy Systems			7%			13%			1994	122	244	public company
SalesLogix	13%					14%			1996	108	260	acquired by Sage Group plc March 2001
Enterprise resource planning software companies with multiple CRM applications												
Oracle			3%	10%			8%		1977	10,130	97,300	public
SAP	4%								1972	5,881	19,700	public
CRM software companies focused on Internet-based CRM applications												
E.piphany		33%							1996	127	846	public
Broadbase		12%							1995	48	178	public
Xchange		14%							1996	62	48	public
Quintus			1%						1995	52	0	filed for bankruptcy 2001
RTS				11%					1988	27	22	public company (Viryanet)
ChannelWave					13%				1997	n.a.	n.a.	private
Allegis					14%				1998	n.a.	n.a.	private
Partnerware					8%				1996	n.a.	n.a.	private
FrontRange						5%			1989	n.a.	n.a.	private
i2							9%		1988	1,126	9,600	public
Calico							1%		1994	36	10	public
ServiceWare								11%	1991	29	21	public
Kana								25%	1996	119	206	public
Primus								13%	1986	48	67	public

Note: Market share calculated as percentage of total software license revenue for top five competitors in a segment for first quarter 2001.
Market capitalization data as of 7 June 2001. Value at time of acquisition is used as a proxy for market capitalization for acquired companies.

Source: Siebel Systems May 2001, casewriter's analysis.

Exhibit 5: Overview of Siebel Systems' Alliance Partners in January 2001

					Total
Global Strategic	IBM, Deloitte Consulting, Unisys, Accenture, Avaya Communications, PwC, Compaq				7
	Consulting	Software	Platform	Content	
Strategic	9	11	9	1	30
Premier	16	98	5	5	124
Partner	442	100	12	14	568
Total	467	209	26	20	729

Source: Siebel Systems.

Exhibit: 6: Partnership Requirements and Benefits from Siebel's First Alliance Program Guide

Partnership Requirements

To become a Siebel Consulting Partner, a firm must meet the following minimum requirements:

Requirements	Strategic Consulting Partner	Premier Consulting Partner	Consulting Partner
Annual Fee	$50,000	$25,000	$5,000
Trained & Certified Siebel Consultants on Staff (minimums)	300 10% Training Discount	50 10% Training Discount	1
Demonstrated Ability to Develop & Implement Siebel Enterprise Applications (Minimum — 2 Accounts)	Yes	Yes	Yes
Generate New Siebel Customers (minimums)	15/year	5/year	1/year
Dedicated Siebel Practice	Yes	Yes	Not Required
Partner Assigns a Dedicated Siebel Alliance Manager	Yes	Yes	Not Required
Standardized on Siebel Enterprise Applications	Yes	Yes	Not Required
Joint Market Development Fund (minimum partner contribution)	$1M/year	$500,000/year	Not Required
Siebel Solution Centers	3 — USA, Europe, Japan	1 minimum	Not Required

Partnership Benefits

Below are the benefits you are eligible to receive based upon the level of Consulting partnership you have established with Siebel Systems.

Benefits	Strategic Consulting Partner	Premier Consulting Partner	Consulting Partner
Right to use Siebel Alliance Logo	Strategic Logo	Premier Logo	Partner Logo
Participate in Siebel Partner Pavilion at Tradeshows	•	•	•
Website — Description	•	•	•
Siebel Implementation Support Via Customer Support Contract *(Limited to only Siebel certified consultants)*	•	•	•
Siebel Consultant Certification *(Annual fee includes certification for 1 consultant)*	•	•	•
Siebel Audio Conference Call (Attend)	•	•	•
Siebel Marketing & Demonstration License	•	•	$5,000/year
Siebel Development License	•	•	$5,000/year
Siebel Technical Support (Limited to 25 Service Requests per year)	2 designated, trained company contacts allowed	$10,000/year (2 designated, trained contacts allowed)	
Demo station in Siebel Solution Center in San Mateo HQ *($100,000 fee/year)*	•	•	
Participate in Siebel Partner Pavilion at User Week	•	•	
Present at Siebel User Week sessions	•	•	
Joint Advertising	•	•	
Siebel Executive Seminar Program	•	•	
Siebel Alliance Manager	•	•	
Siebel Sales Force Trained on Your Company	•	•	
Joint Selling with Siebel	•	•	
Joint Press Release	•	•	
Tom Siebel Endorsement	•		
Editorial in Siebel Magazine	•		
Siebel Audio Conference Call (Present)	•		
Joint Collateral	•		
Website — Demonstration	•		
Siebel Executive Keynote at Your Key Events	•		

Source: Siebel Systems.

Exhibit 7: Quantitative Measures of Siebel Alliance Program

	August 1998	1998	1999	2000
Number of partners by category:				
• Global strategic	0	0	1	7
• Strategic	6	14	29	30
• Premier	13	32	76	124
• Partner	46	91	394	568
Total	65	137	500	729
Partner-led revenue as a percentage of Siebel total software revenue*	10%	20%	30%	35%
Revenues from partners internal use of Siebel software ($millions)	10	30	70	89
Marketing development funds invested by partners ($millions)		5	20	50
Program fees paid by partners ($millions)		2	9	11
Number of partners' consultants				
• Trained by Siebel		1,300	5,000	8,583
• Certified by Siebel **		0	200	4,000
Number of validated software partners		0	10	90
Number of alliance managers (at year end)	15	23	50	150
Number of alliance managers with MBA	13	18	32	90

Note: Figures in table are slightly disguised to maintain confidentiality.

*Partner-led revenue refers to revenue from deals where the partner brought the initial opportunity to Siebel as opposed to Siebel identifying the lead and bringing it to the partner to pursue jointly. Total software license revenue jointly pursued with partners, regardless of whether Siebel or the partner initiated the lead, accounted for approximately 75% of Siebel's 2000 licensing revenue.
** Consultant certification began in 1999.

Source: Siebel Systems.

Exhibit 8: Alliance Manager's Job Description

Position: Alliance Manager, Software Alliances

Location: California, Bay Area

General Summary

The Alliance Manager is responsible for identifying, recruiting, and managing Siebel Software Alliance Partners. An Alliance Manager's primary objective is to ensure Siebel and the Alliance Partner meet agreed-upon technology and business objectives in terms of product integration, go-to-market strategy, sales revenue, and market share. In support of Product Marketing and Sales teams, the Alliance Manager will:

Responsibilities:

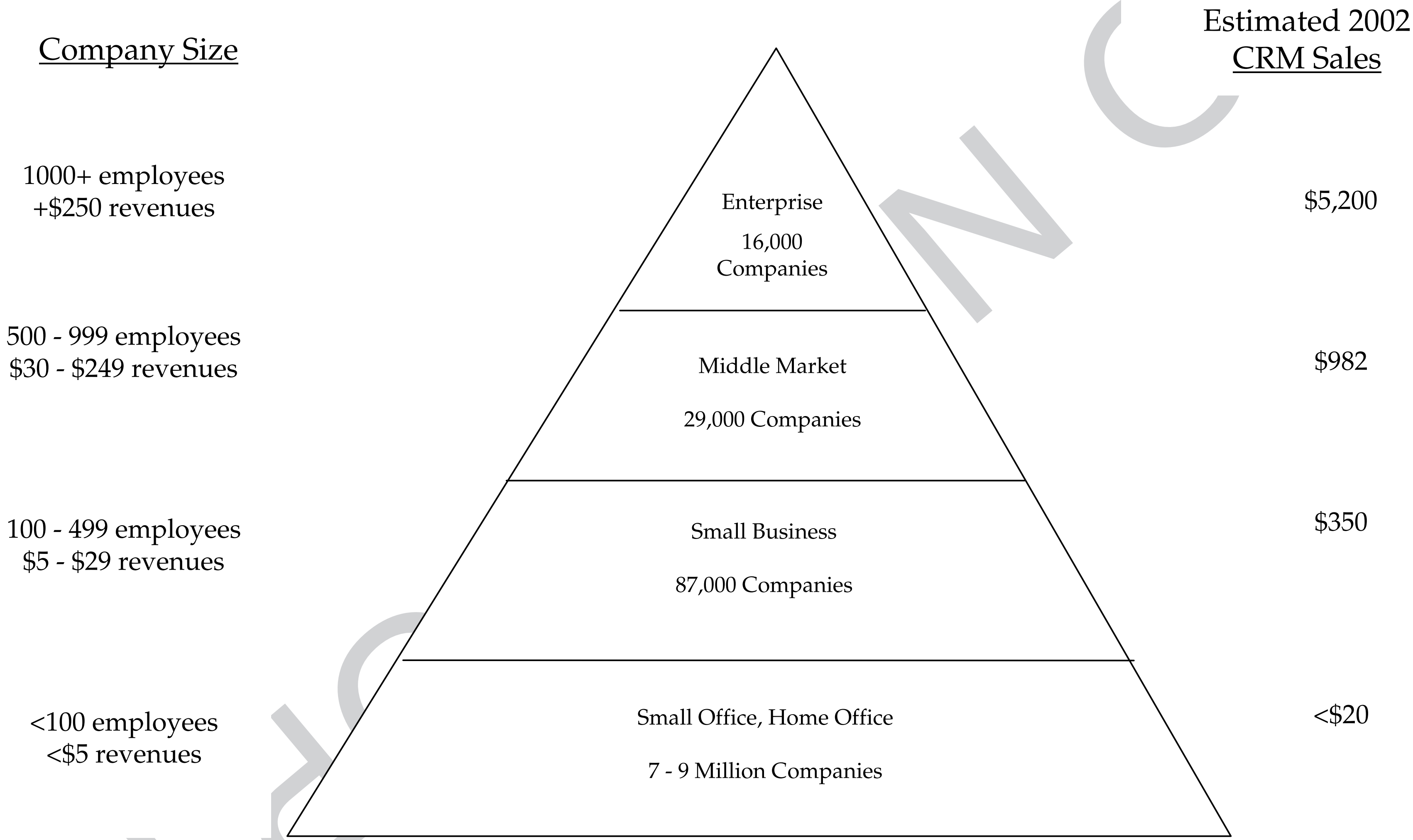
- Manage Software Alliance partner recruitment strategy for key product lines
- Co-develop/evolve/manage Product Line Solution Map, addressing product functionality gap and key competitive threats
- Manage alliance priorities for key product lines, e.g. Wireless; or geography, e.g. Europe; and partner, e.g. Nokia
- Grow the Siebel Ecosystem of products and services by driving product integration and validation, including data sheets and technical integration briefs
- Build Siebel expertise inside Partner organization through pro-active evangelism
- Develop comprehensive technical knowledge of Siebel product lines, Siebel value proposition, Siebel
- Alliance partnerships and competitive landscape
- Drive alignment of partner technical, marketing and sales engagement efforts worldwide
- Solicit Alliance Partner support, development resources, and funding for product marketing and market development efforts
- Drive Partner-funded demand generation and Partner-focused sales pipeline tracking
- Support pre-sales, including customer presentations, product demonstrations, alignment of key messages
- Write proposals and business plans, articulating value proposition and ROI analysis
- Negotiate business terms and own development of go-to-market plan for key software partners
- Maintain partner harmony
- Drive press releases, customer references and establishment of best practices

Requirements:

- Proven track record of success at industry leading company
- Technical background (BSEE/CS) or relevant experience
- MBA from Top 20 business school *plus* 3-5 years of relevant and successful experience in high technology or vertical market discipline
  or
- 5-10 years high technology experience with 3-5 years direct experience in target industry, business development, or product management
- Excellent interpersonal relationship skills, including ability to overcome obstacles to achieve results
- Excellent verbal and written communication skills with strong presentation abilities
- Ability to multi-task and deliver high-quality results
- Ability and initiative to undertake individual projects and process improvements
- Aptitude to conceptualize strategy/vision and manage partner harmony
- Strong project management skills, with an ability to lead cross-functional teams

Source: Siebel Systems.

Exhibit 9: CRM Revenue Potential ($ in millions)



Source: Siebel Systems.

Exhibit 10: Selected Financial Data for Middle Market Competitors

	Great Plains Software	Pivotal Corporation	Onyx Software
Revenue	**100%**	**100%**	**100%**
License Revenue	55%	71%	62%
Maintenance Revenue	46%	29%	38%
Cost of Revenue	**31%**	**19%**	**23%**
License	13%	4%	4%
Maintenance	18%	15%	19%
Gross Profit	69%	81%	77%
Operating Expenses	**66%**	**100%**	**79%**
Sales & Marketing	34%	59%	49%
General &Administration	9%	8%	9%
Research & Development	17%	17%	17%
Amortization & Acquisition-related Charges	6%	16%	4%
Operating Income	**3%**	**(19%)**	**(2%)**

Source: Company 10K's and Siebel Systems.