Downsizing and Desktop Services

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Downsizing

- Trends and factors
- User issues
- Interaction with outsourcing

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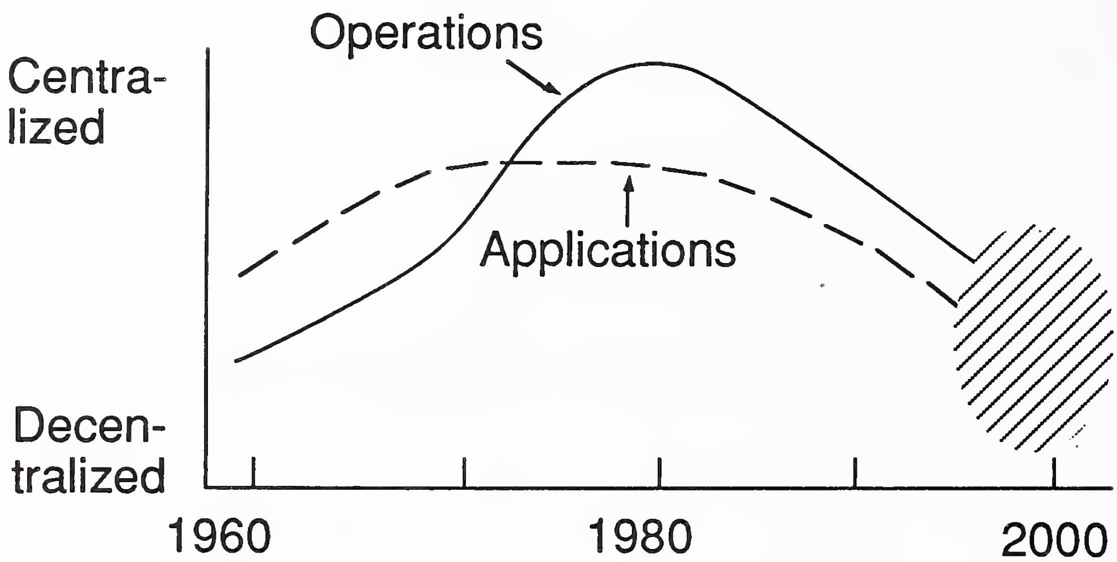
IT Trends



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Driving Forces for Downsizing

- Executive demands to lower IS costs through
  - Platform price performance improvements
  - Platform independence
  - Reduced software costs

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Driving Forces for Downsizing

- Business operations downsizing
- Business process re-engineering
- User demands for rapid response to changing requirements

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Factors Inhibiting Downsizing
(Ranked from Survey Results)

Rank	Factor
1	Data quality problems
2	Transition costs
3	Increased network complexity
4	Applications software not available

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Changing Management Requirements

Data center mgt. → Distributed network mgt.

Defacto IBM stds. → Heterogeneous stds.

Centralized dev. → Decentralized dev.

Centralized support → Distributed support

Cobol based sys. → New dev. environments

... *Are users ready?*

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Changing Requirements—SW

Attributes	Old	New
Features	Fixed	Constantly adding
Updates	Infrequent	Frequent
Sales	Field	Direct/indirect
Costs of sales	Labor bias	Advertising bias
Price	$10,000+	$100+
Customers	100s	100,000s

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Changing Requirements Professional Services

Aspect	Old	New
Prof. Skills	Primarily technical	Technical and business
Support Focus	General	Specific
Practice Focus	Planning	Implementation

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Changing Requirements Professional Services

Aspect	Old	New
Telecomm.	Design	Implementation
Projects	Long	Short
Applications	Design orientation	Software selection/ modification

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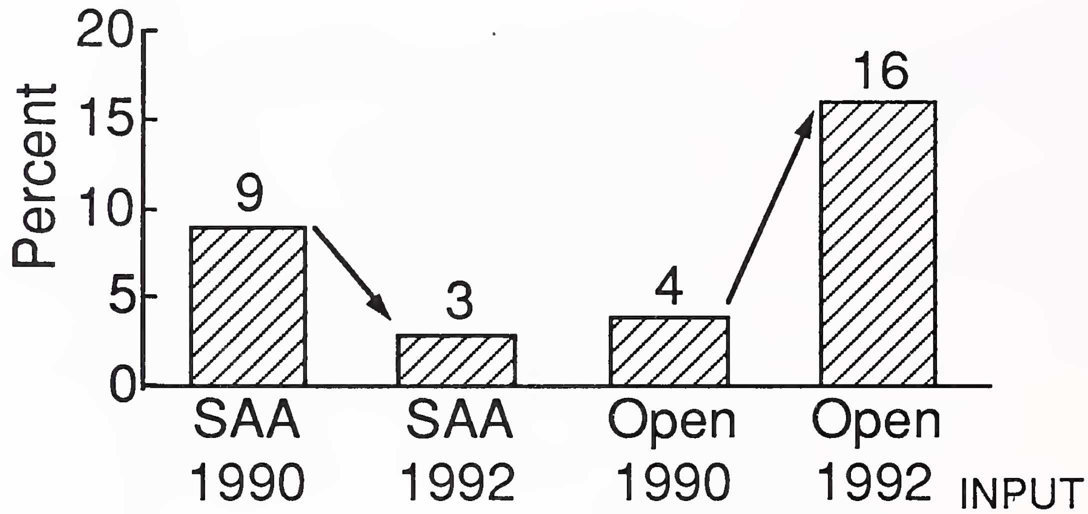
Movement to Open Systems in 900 Downsizing Documents



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User Issues

- Funding the downsizing effort
- Re-alignment of management responsibilities
- New skill requirements
- Transition management/strategy

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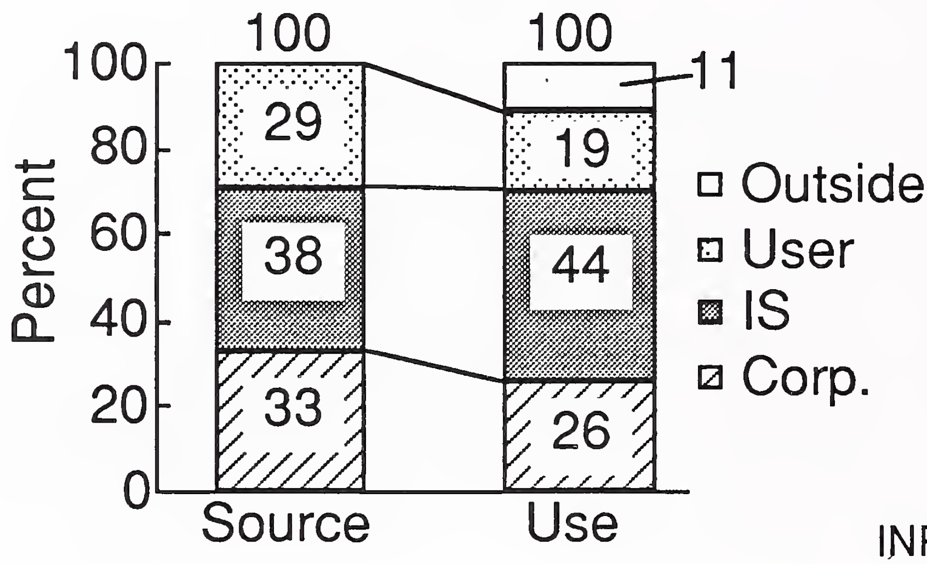
Downsizing Funding



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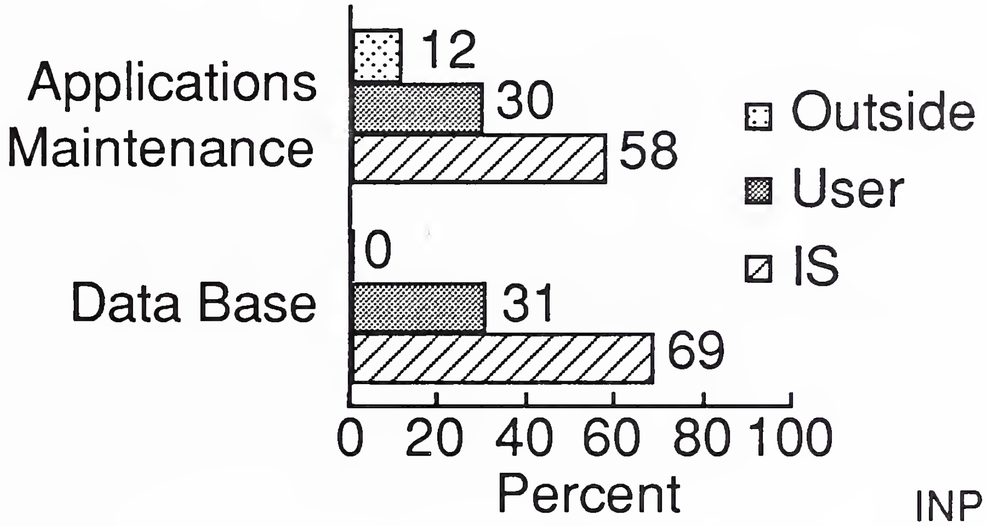
Post-Downsizing Responsibilities



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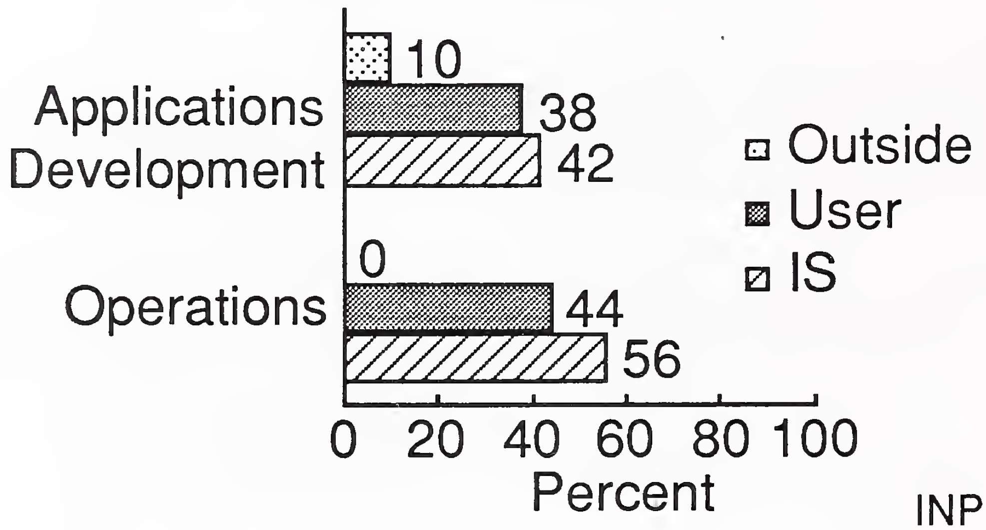
Post-Downsizing Responsibilities



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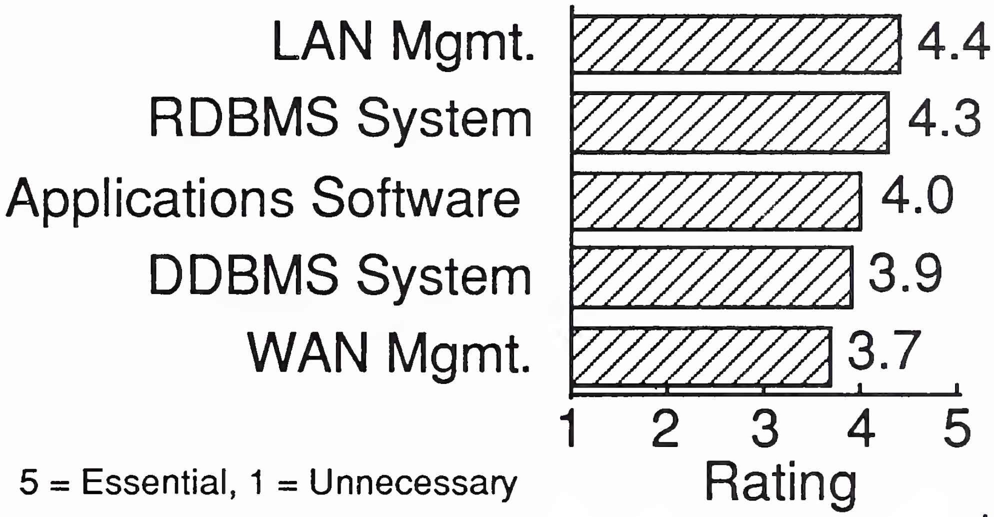
Downsizing Capabilities Analysis



5 = Essential, 1 = Unnecessary

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Transition Strategy
Key Decisions*

- Re-engineering versus conversion
- Standardized versus heterogeneous platforms
- Distribution of processing versus distribution of processing and data
- Open versus proprietary architecture

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*Top four from 60 user surveys

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Downsizing—Interaction with Outsourcing

- Threats
- Opportunities
  - Desktop services
  - Transition management

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Threats

- Reduced number of mainframe shops
- Remaining installations likely to be smaller
- Shorter contracts with negative growth characteristics

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Outsourcing Opportunities
Desktop Services

Supply Services	Equipment Software Purchasing mgmt.
Equipment Support	Maintenance/installation Logistics
Connectivity Svcs.	LAN as management Network interfaces

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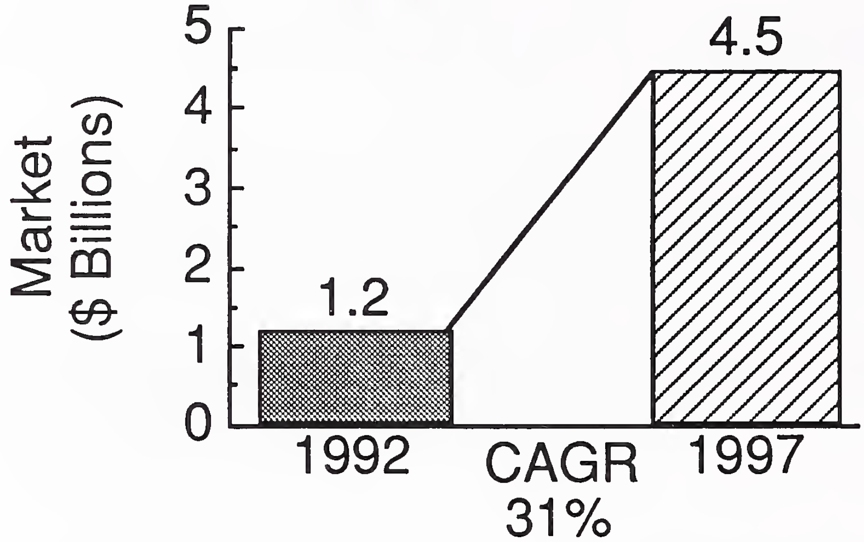
U.S. Desktop Services Market



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Transition Management

- Requires outsourcer as agent of change
- Transition difficult to accomplish
- Transition takes time
- Dual operational environments required

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Transition Management

- Client can outsource existing operations
  - Frees resources for new approach
- Opportunities for all types of IS outsourcing

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Conclusion

Impact of Downsizing on IS Outsourcing

- Causes desktop services growth
- Greater transition management opportunities
- Positive overall impact on IS outsourcing
  - Negative on some parts and vendors

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Desktop Services

Fastest growing
outsourcing market

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Desktop Services Agenda

- Components of Services
- Examples of Contracts
- Market Forecast
- Motivation to Outsource
- Decision Makers

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Desktop Services Agenda

- Vendors
- Vendor Strengths
- Contract Condition
- Conclusions

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Components of Desktop Services

Service Class	Service Element
Supply Services	Equipment acquisition
	Software acquisition
	Consulting for purchasing

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Components of Desktop Services

Service Class	Service Element
Connectivity Services	LAN management
	Network interfaces

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Components of Desktop Services

Service Class	Service Element
Equipment Support	Management
	Installation
	Logistics management

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Components of Desktop Services

Service Class	Service Element
User Support	Help desk
	User training

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Example of Desktop Service Contracts

- Businessland (JWP)/Kodak
- DEC/Blockbuster Video
- EDS/GE

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Example of Desktop Service Contracts

- EDS/Army (SMC)
- EDS/Atlantic Richfield
- ISSC/Zale

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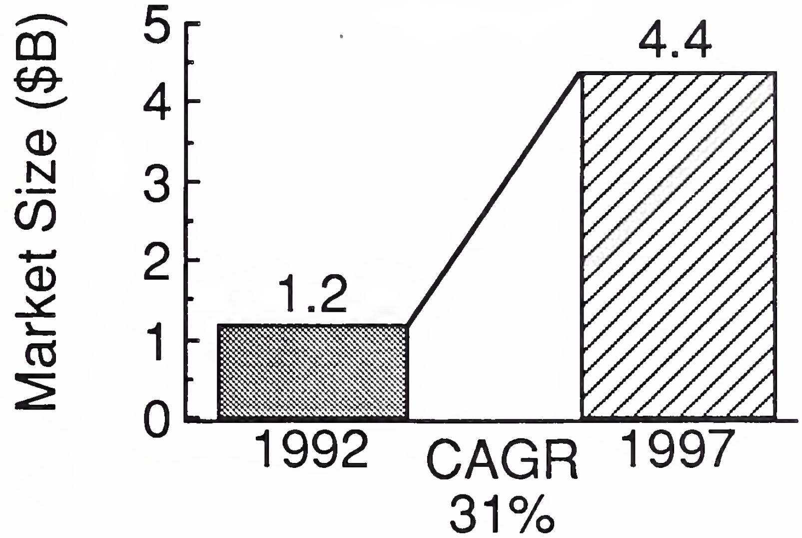
U.S. Desktop Services Market



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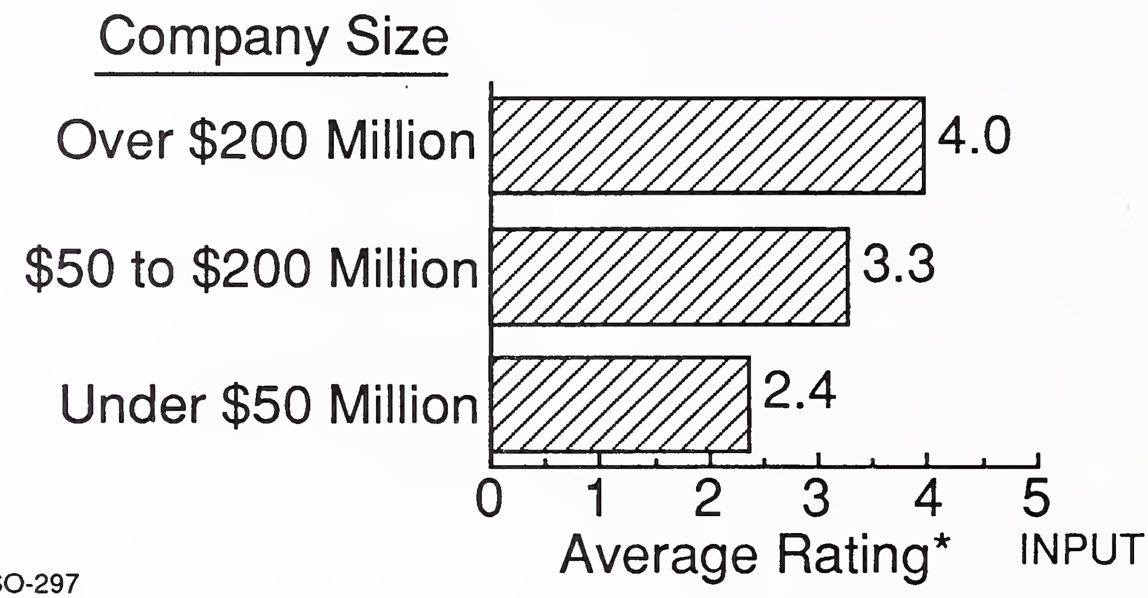
Best Markets for Desktop Services



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*Based on 1 to 5 scale;
5 = Many opportunities, 1 = No opportunities at all

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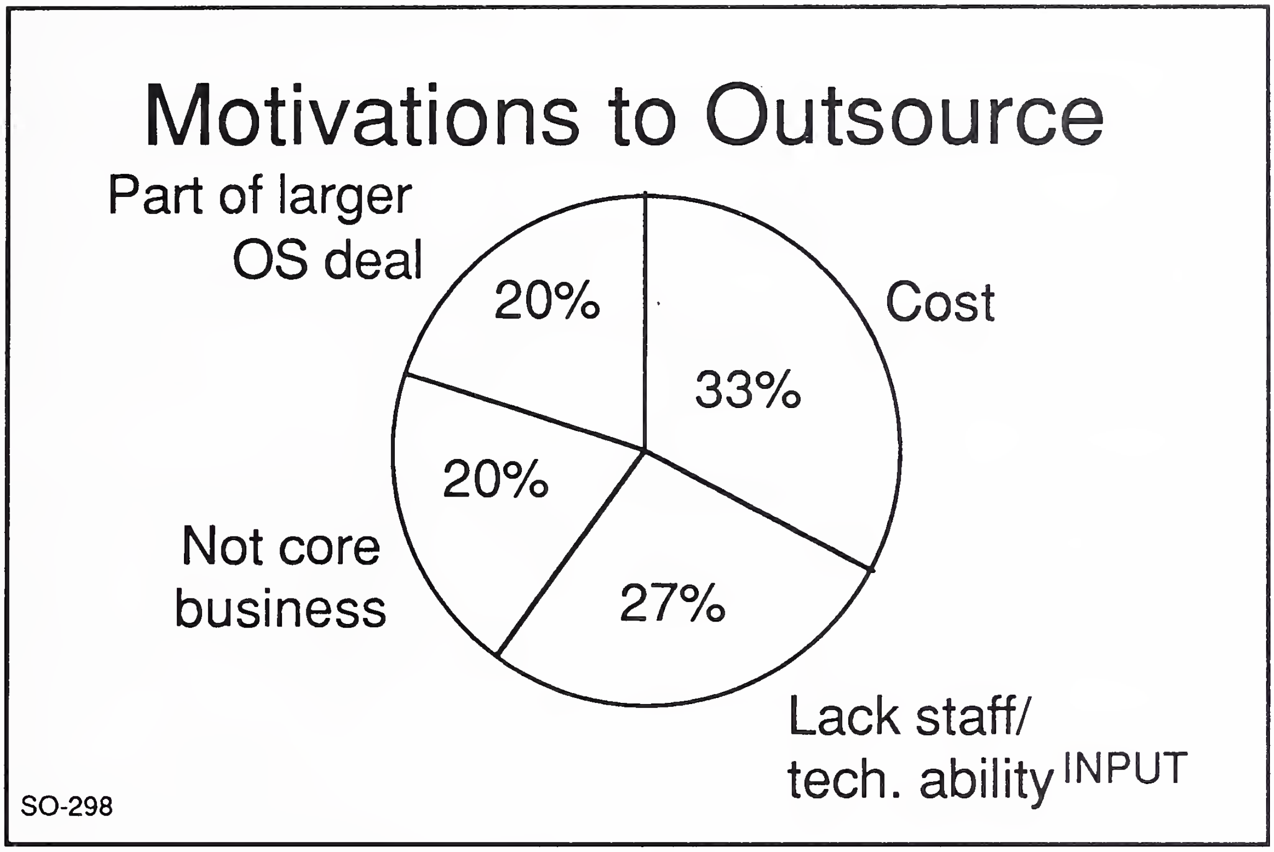
Motivations to Outsource
Part of larger OS deal
20%
Cost
33%
20%
Not core business
27%
Lack staff/ tech. ability
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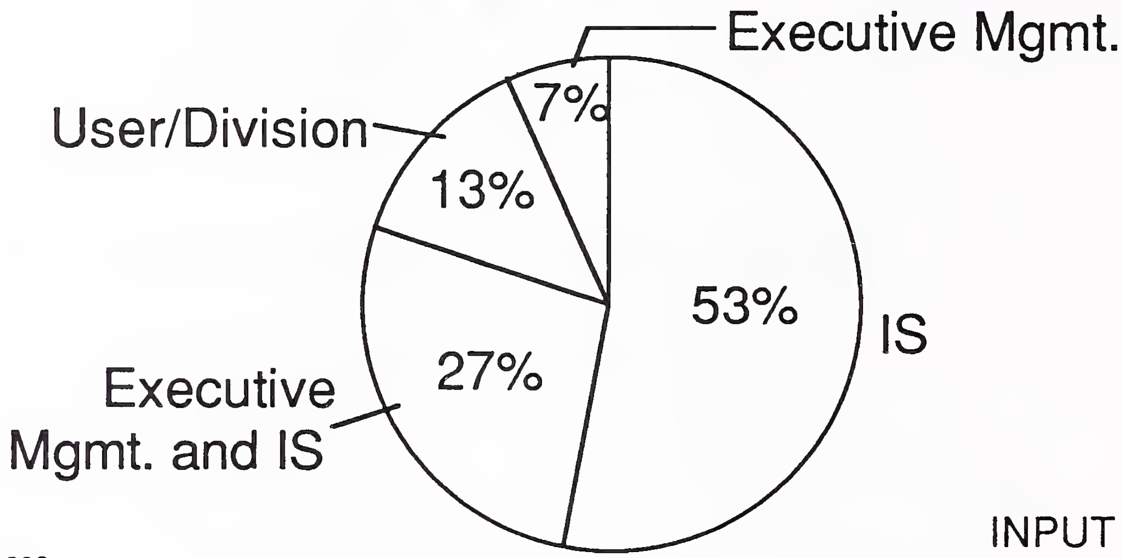
Decision Makers for Desktop Services



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Current Desktop Service Providers

Company	Ranking
EDS	1
DEC	2
ISSC	3

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Emerging Desktop Services Vendors

- SHL Systemhouse
- ComputerLand
- JWP
- Integris
- Bell Atlantic

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Vendor Strengths

Strengths	Rank*
Technical versatility	1
Reputation	2
Network knowledge	3
Centralized services	4
Help desk experience	5

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*Rank based on frequency of mention by respondents

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Other Functions Outsourced by Desktop Services Users

No. of Resp.	Plat. Oper.	App. Mgmt.	App. Main.	Network Oper.
6	✓	✓	-	-
2	✓	✓	-	-
1	-	-	✓	✓
1	-	-	✓	-
1	-	✓	-	-

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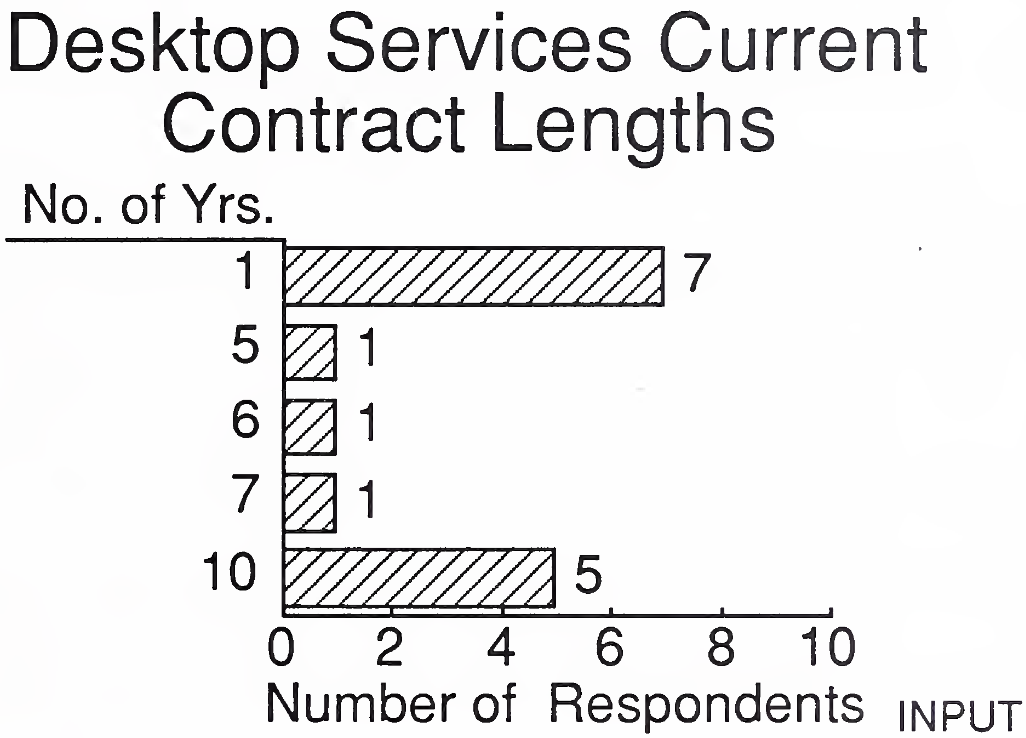

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Desktop Services Contract Terms

- Often have "refresher" clauses
- Provide wide geographic coverage
- Usually include LAN management
- Always include equipment maintenance

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Conclusions

- Fastest growing outsourcing segment
- Vendors often subcontract remote support
- LAN management most complex aspect
- Profit margins highest for communication functions

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About INPUT

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- Systems Integration
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INPUT advises users on a variety of IT planning and implementation issues. Clients retain INPUT to assess the effectiveness of outsourcing their IT operations, assist in the vendor selection process and in contract negotiation/implementation. INPUT has also evaluated users' plans for systems and applications downsizing.

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