CSC Index—A Basis for Growth

Introduction

Unlike the many other service companies who are still attempting to rapidly develop their business process re-engineering (BPR) expertise, CSC Index provides Computer Sciences Corporation (CSC) with strength and credibility in this field. CSC Index, with its focus on BPR, is a key driving force behind the growth of CSC.

The recent Research Analysts Group Meeting held by CSC, provided an opportunity to gather insight into the overall company and understand the position of CSC Index. This bulletin provides an overview of CSC, a description of the organization of CSC Consulting Group and an analysis of why CSC is now in a position of strength in the services industry.

CSC Overview

CSC continues to move from a federal market focus to a commercial focus. As Exhibit 1 shows, commercial business now accounts for more than half of the corporation's revenue.

Exhibit 1

CSC Revenue Mix
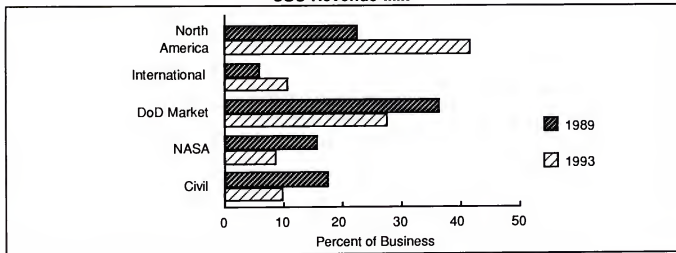
Source: CSC

This is a dramatic change from 1989 when the federal contribution was 70%. The increase in commercial business is being driven by growth in the BPR systems integration and commercial outsourcing businesses.

The following table shows revenue and net income for 1989-1993:

	Revenue ($Billions)	Net Income ($Millions)
1989	1.3	52.5
1990	1.5	65.5
1991	1.7	65.0
1992	2.1	68.2
1993	2.5	78.1

CSC has acquired various companies during the past years including Index (now CSC Index) and Computer Partners (now CSC Consulting Inc.).

These acquisitions have helped enhance the business growth and the additional skills have better positioned CSC for the 1990's marketplace.

CSC believes, correctly in INPUT's view, that BPR leadership is a competitive strength of the company. In addition, CSC believes they have a competitive advantage from their ability to stay at the leading edge of technology in addition to their project management capabilities.

Organizational Structure

The current structure of CSC is shown in the following exhibit:

Exhibit 2

CSC Organizational Structure
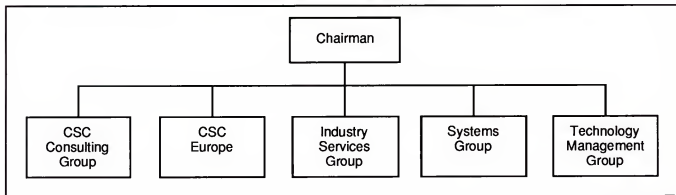
Source: CSC

While each of the groups must perform well in order for the company to move forward, the activities of the CSC Consulting Group would appear to hold the key to CSC's future.

The importance of CSC Consulting Group is due to the changing nature of the IT marketplace. It is no longer sufficient for service providers, other than those in niche markets, to focus on technology alone. All the major service vendors are moving into the process re-engineering market. The winners will be those organizations that can best integrate BPR with their existing business.
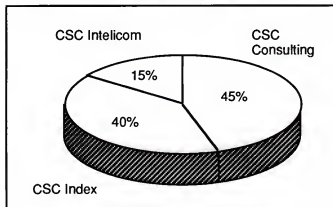
CSC Consulting Group

CSC Consulting Group consists of five units:

- CSC Consulting Inc.—provides development and implementation services

- CSC IMPACT—performs IT management consulting

- CSC Index—provides business strategy and re-engineering services

- CSC Intelicom—offers industry and systems expertise in the telecommunications market

- CSC Research and Advisory Services—contributes advice, guidance and a forum for the definition of future product requirements

The current organization of this group was created in late 1993. However, the revenue split for CSC Index, Consulting and Intelicom for their fiscal year ending June 1993 is shown in Exhibit 3.

Exhibit 3

CSC Consulting Group Revenue

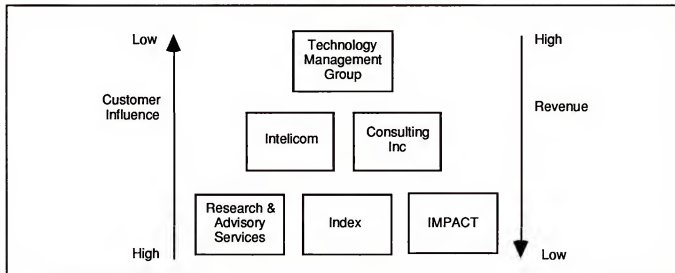CSC Intelicom

CSC Consulting

15%

45%

40%

CSC Index

Source: CSC

The presence of Jim Champy at the helm of CSC Consulting Group immediately gives credence to the ability of the organization in the BPR area. Their claimed ability to lead in the area of project management is best measured by their customers. However, the range of projects and financial success of the company supports the CSC view.

The CSC Consulting Group's approach to marketing and sales can be seen by considering the way they position each unit relative to each other in relation to CSC Technology Management Group—the providers of operations and outsourcing services. Exhibit 4 illustrates this positioning.

Exhibit 4

Positioning CSC Consulting Group

Low ↑		Technology Management Group		High
Customer Influence				Revenue
	Intelicom	Consulting Inc		
	Research & Advisory Services	Index	IMPACT	
High			↓	Low

The revenue generated on each level of the pyramid decreases with movement down the layers. However, this top-to-bottom view only considers today's revenue. Future revenue is more likely to be determined by the success of the groups at the bottom of the pyramid. The greatest potential for influencing customer business methodologies and developing true customer partnerships exists in companies such as CSC Index, CSC Research and Advisory Services and CSC IMPACT. As such, the long-term success of CSC is dependent on these units.

The Future for CSC

Service vendors can approach user organizations at many levels (e.g., a programming service is at the IS department level, a strategic consultant is at the senior executive level). The more senior the level, the greater the influence the service vendor will have with the customer.

Exhibit 5 is an illustration of this positioning of the service vendors.

CSC Index has the highest level customer entry point for any of the CSC Consulting Group units. CSC Index works (and has established links) with the most senior executives in user organizations in a similar fashion to consultancies such as McKinsey, Bain and Booz Allen. At the same time, other parts of CSC are working with other parts of the user organizations. This wide range of contact and service gives them an advantage over many other service companies who are more narrowly focused. In particular, established, executive-level, working relationships give CSC Index the ability to "implement the executive's agenda".

Exhibit 5

Positioning of Service Contact Levels
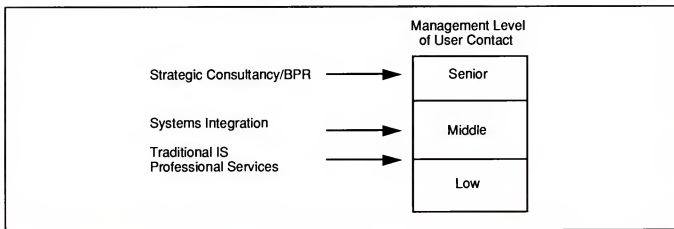
Many hardware, software and service companies have contact with senior levels within their customers, however, there is a vast difference between *being known* by the executives and *working* with the executives. Creation of these relationships is one of the reasons for many service companies moving toward a BPR offering.

CSC, however, does not have all the required skills, and further acquisitions are planned. A Change Management company is a current target. Change Management is an area that needs to be considered if CSC is to expand beyond its present technology focus.

Overall, CSC looks to be in a good position for the future. It has built its reputation in the federal market but now the commercial market is the larger source

of business. In addition, CSC has been primarily viewed as a technology company. The integration of CSC Index, Consulting Inc., etc. into CSC Consulting Group demonstrates their determination to be a full service provider with a wider range of offerings than almost any current competitors.

The status of CSC Index within the BPR market is a great advantage to the company. This provides them with access to senior executives around the world, and is an excellent platform on which to expand their overall business.

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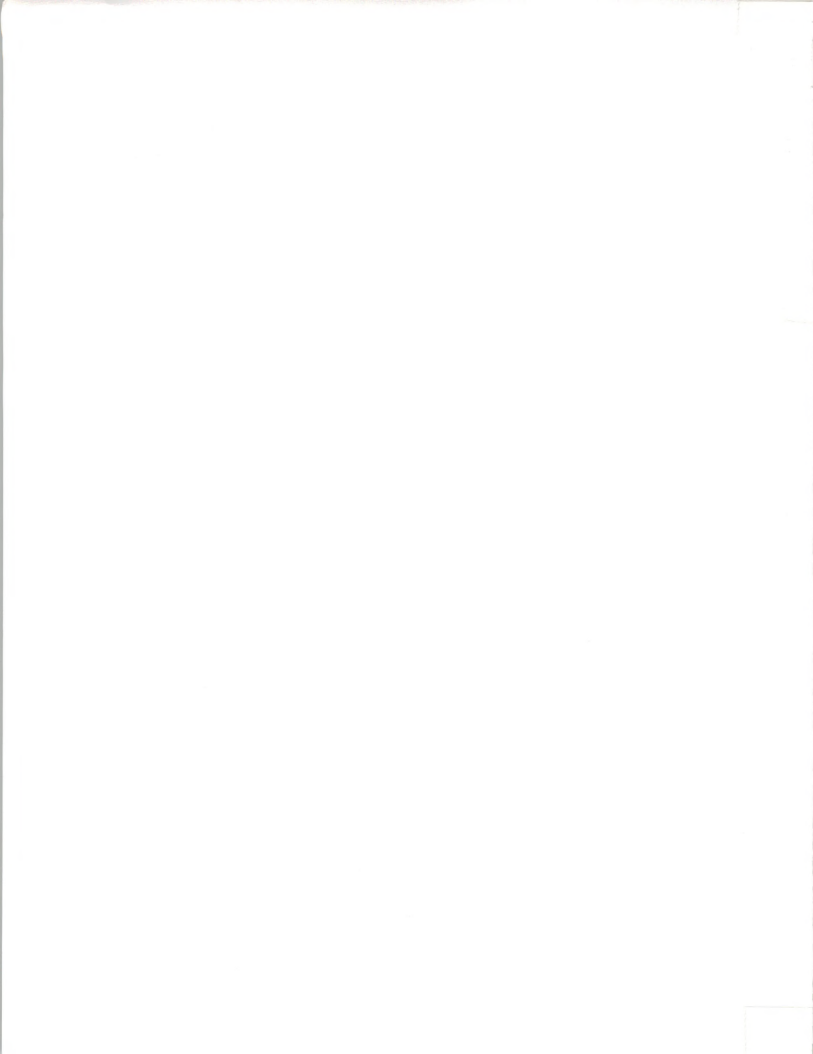
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  - Procurement Plans (PAR)
  - Forecasts
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CUSTOM PROJECTS

For Vendors—analyze:

- **Market strategies and tactics**
- **Product/service opportunities**
- **Customer satisfaction levels**
- **Competitive positioning**
- **Acquisition targets**

For Buyers—evaluate:

- **Specific vendor capabilities**
- **Outsourcing options**
- **Systems plans**
- **Peer position**

OTHER SERVICES

Acquisition/partnership searches

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