

A Publication from INPUT's Outsourcing Information Systems Program

GE/EDS Agreement Sets New Milestone in Desktop Services

In December, EDS set another milestone in the outsourcing market by closing the largest single contract for desktop services yet recorded. There are several significant aspects of the agreement, which we will discuss below. INPUT believes that the most singular aspect of this contract is that it was solely for desktop services. This fact may have the greatest potential impact on the outsourcing market.

EDS's Technical Products Division does not manage computer centers; it does not have a staff of software developers to supply to clients. It has traditionally provided support and maintenance for mainframes and minis. It is redirecting this support to the millions of PCs and workstations that are now dispersed throughout corporate America.

What's in it for GE?

Jim Miller, Manager of Computing and Technology at GE, has stated that the EDS agreement is "an opportunity to clean up our act and simplify the environment." With an inventory of over 90,000 PCs of every brand and configuration, it isn't surprising that the environment needed some simplifying. GE was not benefiting from the volume discounts that large order placements could give it. It was a nightmare to try to maintain compatibility between software packages. The training and maintenance requirements were complicated by the diversity of equipment. Exhibit 1 lists the services GE is receiving from EDS.

Exhibit 1

Services Provided to GE by EDS

- Installation and "burn-in"
- Maintenance
- Help Desk support
- PC inventory management
- Quote Desk
- Employee purchase plan

Source: INPUT

Under the new arrangement, EDS will provide a whole range of services to GE's 13 major business units, as Exhibit 1 illustrates. Working jointly with GE's own Computer Services unit (GECs), EDS will provide hardware installation and "burn-in," maintenance, and ongoing help desk support, as well as PC inventory management and a quote desk for the acquisition of new equipment. As an added feature, an employee purchase program is also being set up under the program.



Step-by-Step Approach

It won't all happen at once, though. Jim Miller states that it will be done one step at a time. The first step is to centralize the purchase and installation of the equipment. There is probably some concern about displacing the sister division, GECS, from some of the activities it is currently performing within the GE components, typically maintenance and training. EDS has indicated that it will work closely with that division, but it certainly wants to expand its own base within the corporate giant, too. There will be a delicate line to tread as the relationship develops. Will the restive GE component be comfortable as a subcontractor to EDS?

EDS—Veteran of the Desktop Services Business

EDS's Technical Services Division is not a newcomer to the desktop services area. Bob Neighbors, president of that division, joined it in 1988. Since then he has changed it from a unit focusing on mainframe and minicomputer support and maintenance to a leader in the desktop services market. EDS has successfully performed on the Army SMC contract and is certainly looking to leverage its experience in this area into other major accounts.

In the case of the GE contract, the Technical Services Division worked closely with the Manufacturing and Distribution strategic business unit of EDS to close the \$500 million sale. Which business unit will next use TSD to close a big deal is anyone's guess. With TSD's proven capability, it should be relatively easy to convince a client that the complicated task of managing a burgeoning inventory of PCs and workstations can best be done by an expert.

Is This a New Pattern?

Can we expect this trend toward exclusive desktop service contracts to continue in the outsourcing market, or are most of the agreements likely to include platform or applications operations also? Preliminary results from an INPUT study currently under way show that current outsourcing vendors are ready and anxious to provide these services as part of the

ongoing relationship with the client. The IBM/Kodak relationship is evolving in that direction already, as it matures from a platform operations environment to a client/server operation, at Kodak's instigation. Will ISSC provide the additional desktop services or will JWP/Businessland expand its current PC contract as a result? ISSC already has a desktop component in its outsourcing agreement with Zale Corp.

Is the reverse likely to happen? Can EDS finesse its GE contract to a broader outsourcing agreement that includes platform and applications operations? In that specific case, both parties are giving guarded responses. Yet other INPUT research confirms that clients tend to look first to their current vendors when thinking about outsourcing further activities.

As the market matures, we can be sure that a variety of services will be offered by outsourcing vendors. Exhibit 2 illustrates the wide range of services currently being outsourced.

Exhibit 2

Variety of Outsourcing Services

- | | |
|-------------------------|----------------|
| • Cray processing | • Oryx/Power |
| • Desktop services | • GE/EDS |
| • Network management | • Citicorp/MCI |
| • Accounting operations | • BP/Andersen |

Source: INPUT

Once a vendor is selected by a client, its opportunities to provide additional services generally increase. These additional services might be some systems development activity or some additional operations management responsibilities. This works if the vendor can deliver what was promised and if the vendor can be flexible enough to modify the service radically as the client needs change.

This Research Bulletin is issued as part of INPUT's Outsourcing Information Systems Program for the information services industry. If you have questions or comments on this bulletin, please call your local INPUT organization or J.P. Richard at INPUT, 1953 Gallows Road, Suite 560, Vienna, VA 22182, Telephone (703) 847-6870, Fax (703) 847-6872.

