OPEN SYSTEMS SERVICES

CHALLENGES AND STRATEGIES

EUROPE 1992

INPUT

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Abstract

The increasing market acceptance of open systems has caused a greater interest in the concept of open support services. These are defined as being the delivery of a comprehensive range of support services encompassing hardware, software and communications blended in a way that provides the client with a seamless service.

The report focuses on the steps that vendors will need to take to be able to deliver such a broadly defined capability. It discusses why users are demanding such services and the likely extent of the capabilities required. It examines the internal management culture challenges implied by open support provision and describes the different challenges being faced by system vendors, independent maintainers and broad-range-service providers. The report concludes with a discussion of the important components of the winning strategies for open support services, effective competitive positioning and the creation of appropriate sales channels.

Table of Contents

Table of Contents (Continued)

Exhibits

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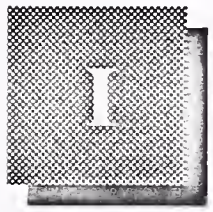

Introduction

A
Purpose and Scope

The inexorable rise of open systems in the marketplace has led directly to the need to evaluate the opportunity for providing open support services. Vendors suspect that the open systems environment is altering the rules of the market, but are uncertain as to what this *open* future means for the delivery of services and service.

This executive perspective report set out to address this issue by interviewing the concept of open support services and its implications for the service community.

A comparison report, *Professional Services Strategy Profiles—Europe, 1992*, was designed to complement the management perspective of open support service issues through descriptions of leading vendors *professional services* strategic responses to current market conditions. This comparison report provides eight *professional services* profiles, the vendors being:

- Amdahl
- Bull
- ICL
- Unisys
- Granada Computer Services
- Sorbus
- AT&T Istel
- EDS-Scicon

This set of vendors was chosen to represent the three principal groups of vendors active in the customer services and professional services sectors:

- Systems vendors (four profiles)
- Independent maintenance vendors (two profiles)
- Independent services vendors (two profiles)

B
Methodology

This executive perspective report is based primarily on a series of in-depth, face-to-face interviews conducted with leading service providers within the European marketplace. This methodology was designed to provide insights regarding the identified concepts and trends associated with open support services and how these were being accepted and implemented within the IT industry in Europe.

In addition to the specific research conducted for this report, the ongoing research of customer services markets by INPUT was also utilised. Additionally, INPUT's wider coverage of the whole information services marketplace provided the framework in which a broad underlining of open support services and their market implications could be developed.

C
Report Organisation

The remaining chapters of this report are organised in the following way:

- Chapter II is an Executive Overview that provides a concise summary of the principal findings and recommendations contained within the report.
- Chapter III discusses the open support services challenge, it covers the changing IT environment that is driving the demand for open support services and the challenge that this represents for existing services organisations.
- Chapter IV examines the management culture clashes that have to be resolved if open support services are to be successfully delivered to the user.
- Chapter V builds on the framework established in Chapter IV and looks at the management culture challenge from the perspective of three different vendor groups, system vendors, independent maintenance organisations and independent services vendors.
- Chapter VI completes the report by reviewing the key elements that are likely to be manifested in the winning strategies for open support services.

D
Related INPUT Reports

As already indicated in Section A above, this particular report has been produced alongside a comparison report designed to provide some insight to the actual strategic positions being adopted by vendors: *Professional Services Strategy Profiles—Europe, 1992.*

To provide further background to the discussion of current revolutionary IT environment and its effects on the information services industry, the following reports are recommended. These were produced as part of INPUT's Software and Services Market Analysis Programme—Europe:

- *The Computer Software and Services Market Analysis and Forecast 1992-1997* (IE-CM2)
- *European IT Budgets, Hidden Services Spending Revealed* (IE-EA2)
- *European IT Services—Growth or Decline* (IE-OS2)

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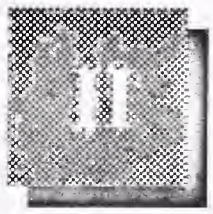


Executive Overview

The increasing acceptance of open-networked systems, the trend towards outsourcing information systems and the emerging dominance of application needs over specific IT requirements are driving the demand for more comprehensive service offerings. However, although there are many vendors providing services that address parts of the overall systems life cycle, there are few that have yet addressed the need for a total service offering—open support services.

Thus, key issues facing vendors today are how to develop the capability to meet this latent demand and how to effectively promote and sell these broadly defined open support services. This executive perspective report addresses these issues. It describes how services vendors can develop an appropriate response to the open support services challenge through:

- Gaining an understanding of why users are demanding these types of services and what an open support capability is likely to comprise
- Addressing the internal management culture challenge implied by the development of open support capabilities
- Creating the competitive position and sales channels appropriate for a vendor's supply of support services

A
Open System Environments Drive the Need for Open Support Services

The first step that must be taken towards meeting the latest demand for open support services is to gain an understanding of the reasons why these new types of services are required and of what they comprise.

A number of developments occurred during the 1980s that have led to the breakdown of virtual monopoly, high-profit margin service businesses. These included:

- The development of third-party hardware and software vendors

- Increasing systems reliability
- Falling component costs

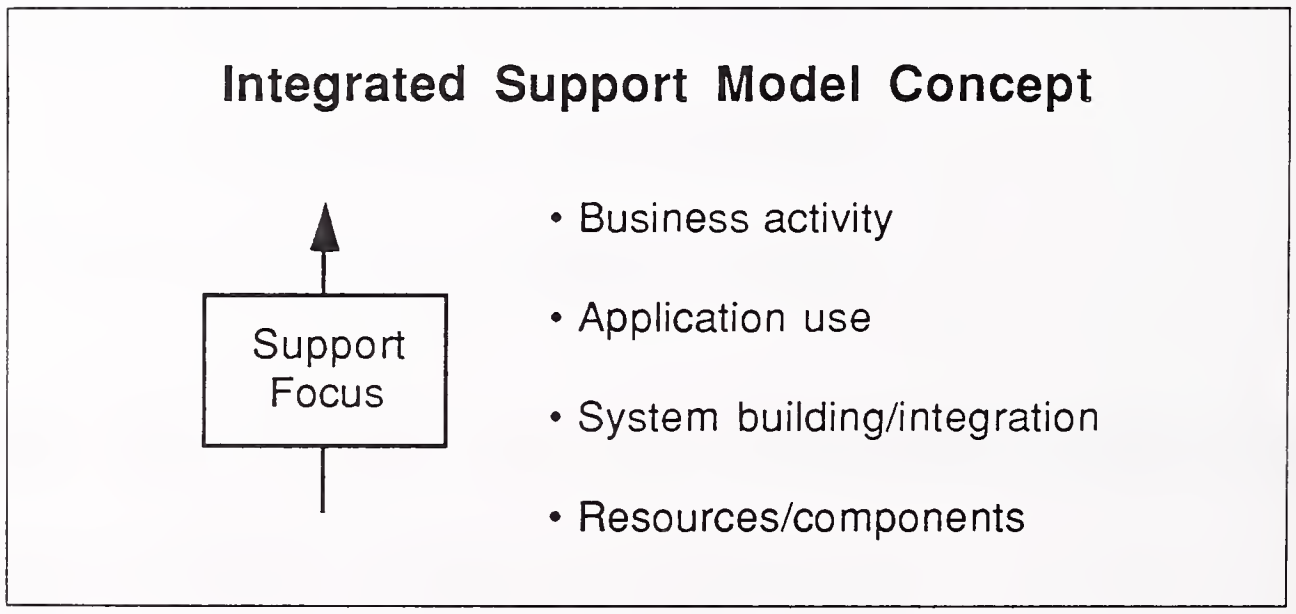
These developments have redefined the minimum maintainable unit, which is no longer the individual piece of equipment or software product, but the whole system or application. This is desirable from a user perspective for a variety of reasons.

Open systems environments are typically for multivendor, and are gaining technological complexity. Moreover, the likelihood is that users are not IT specialists nor IT trained. This leads to a requirement for an overall broad-based support capability.

If the user is not an IT specialist and is concerned principally with his/her application, then the need for a single point of contact for problem reporting and resolution arises. Users are concerned with the availability of the application instead of the IT infrastructure. This need for a single point of support contact has been aided by the increasing acceptance of the outsourcing information services functions idea.

Vendors have to adapt their thinking about services away from a product or system activity component basis and towards a broadly defined support of business applications. This paradigm shift of thinking and approach towards the service of business can be described as embracing the integrated support model—the concept encapsulated in the diagram shown in Exhibit II-1.

EXHIBIT II-1



To an extent, some vendors have already attempted to adopt this approach to customer support, which is a principal motivation for accessing a greater proportion of the customer's total IT spend. Therefore, the critical issue for vendors is not so much just adopting this posture (particularly just as a

marketing image), but it is in building the integrated capability to deliver these comprehensive service offerings.

An important step in achieving an open support capability is in defining the services in which it comprises. These can be listed in broad terms as:

- Systems operations/systems monitoring
- Problem reporting/diagnosis/resolution
- System enhancement/business transformation

Open support services encompasses hardware, software and communications. Furthermore, it must blend them in order to provide the client with a seamless service.

Given the wide range of service types, and the different human resources required to fulfill them, the organisational challenge of combining all of them into a coherent single offering must be met by:

- The need to assemble the required spectrum of open support services

- The creation of the appropriate organisation that can blend these different services and deliver them as a complete tailorable service to clients

In many cases, service vendors will not have access to the required resources from within their own existing organisation and will have to consider subcontracting arrangements or acquisitions in order to provide them.

In any event, the successful integration of the required range of services will depend upon an appropriate organisational structure that ensures internal co-working and effective delivery to the customer.

Some of the principal organisational structures considered (which are illustrated in the companion report to this report describing the activities of some actual market participants) are the following:

- The *single sales channel model*, which is found in vertically oriented vendors, or in those with a strong account focus.

- When a vendor has developed its service business as an adjunct to its product business it is likely that the vendor will adopt the *product and service model* with separate channels for each.

- When an organisation segments its market by system type, or by industry sector, it will tend to develop *resource pools* that are related to each sector.

- Finally, the *multiple channel model* occurs when activity is organised around functionally based profit centres.

Exhibit II-2 tabulates these possibilities:

EXHIBIT II-2

Organisational Models for Open Systems Services

Model	Adoption Criterion
Single Sales Channel	Account Focus
Product and Service	Product Capability
Resource Pools	Vertical Orientation
Multiple Channel	Functional P/L Centres

The organisational issues represented by these different models with regard to successful selling and providing open support services are:

- Avoiding internal conflict interest in multiple channel organisations
- Ensuring that a single sales channel can fully represent open system services (a significant challenge for a product oriented organisation)

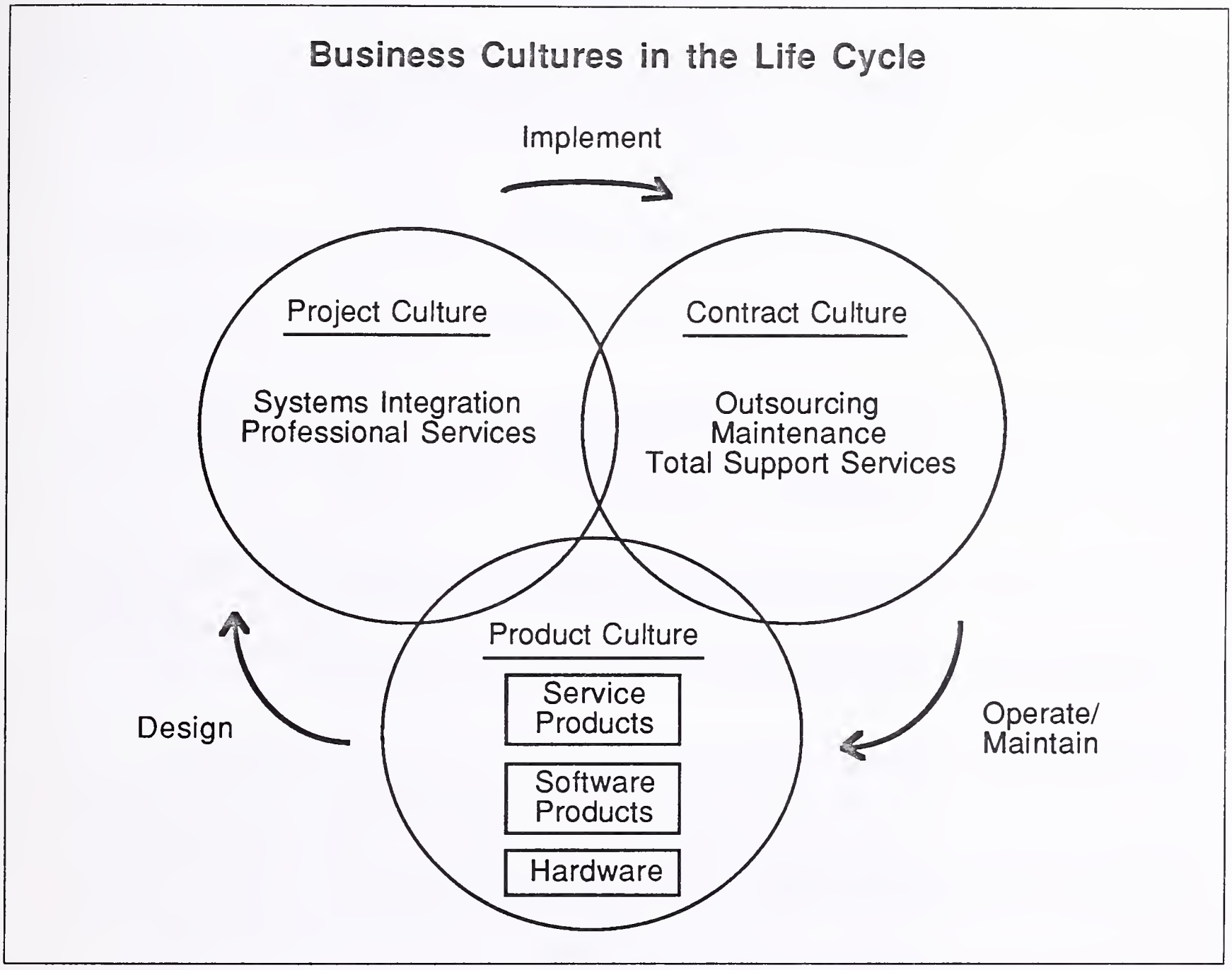
Finally, to complete the marketing picture it is necessary to add a new flexibility in pricing that will be needed for open support services. Existing pricing models based on equipment types or volumes will be inappropriate. A more holistic approach that can be adjusted to the client's true requirements will be needed.

B

Open Support Service Delivery Demands an Open Management Culture

The segmentation of IT service delivery has emphasised the emergence of three different management cultures, as shown in Exhibit II-3.

EXHIBIT II-3



These cultures derive from the different company backgrounds associated with:

- Products
- Projects
- Service contracts

They can be identified with different stages of the system life cycle.

Equipment and software product vendors have sold support services priced relative to the value of the product. Professional services vendors have been most closely associated with the project culture because so much of their work has been dominated by designing and developing particular systems for clients. Third-party maintenance and outsourcing vendors

typically exhibit a contract-oriented management culture, placing much emphasis on policing the contract boundaries.

Each elements of these different management cultures are often found within any single organisation. The challenge for vendors wishing to provide open support services is to create an environment in which these cultures can coexist and in which any conflicts can be resolved in order to optimise effective service delivery to the client.

All three types of management skill are required in open service delivery:

- Product skills to ensure the support of technically complex open networked systems
- Project skills to support ongoing enhancement and development needs
- Contract skills to support agreed service levels and to foster the customer relationship

Customer focus should be the guiding principle in blending these different support requirements—what are their needs and what internal adjustments should be made to accommodate them. How effectively this is done will distinguish the winners for the losers in the open support services marketplace.

Another important feature of an effective management approach in supporting open systems service relates to the delivery structure adopted by a vendor. If the different profit centres or separate companies characterise the delivery structure, then it may be difficult to ensure the sharpness of customer focus. Naturally, significant variations in requirements will exist between different customer groups; for example, large corporations with complex requirements versus small companies wanting a supported packaged solution.

Thus, open support service brackets that spawn highly customised and 'shrink-wrapped' versions of the basic concept will evolve. Customer focus that blends internal management culture differences to meet the user requirements is the key to success.

C
The Five Key Elements of a Winning Open Support Services Strategy

The latent demand in the marketplace for open support services mirrors the trend towards higher integration levels in the provision of IT systems. The demand for integration is fuelled by:

- Increasing systems complexity
- Increasing user emphasis on the application rather than the IT system itself
- Increasing productisation and even commoditisation of services and products

Vendors seeking to profit from this opportunity need to establish an effective market position and the complementary sales channels that can fulfill their needs. There are five key elements of an open support service strategy that are necessary for this:

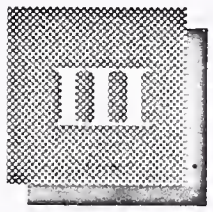
- Ensure that the organisation can deliver a full-system life cycle service portfolio.
- Develop a primary strategy that singles out value for money as its key guiding principle.
- Establish a clear market image that addresses the needs of the identified target markets.
- Create market awareness of the true strengths of the organisation rather than create future expectations by promising more than can be delivered.
- Manage the internal management culture differences through effective service delivery channel management and promotion of teamwork by motivation and incentives.

The key elements can be summarised as:

- Full life cycle service portfolio
- Value for money pricing strategy
- Market image focused on target markets
- Create awareness of true strengths
- Manage service culture differences

The latent demand for support services in the open environment presents the equipment suppliers with a unique opportunity to dominate the IT supply channels. They already have extensive market presence in terms of image and sales/support channels in comparison with all types of 'independent' service vendors. Customers are much less concerned about the

independence of their service suppliers than the 'independents' might like to think. However, in order to take this opportunity, the equipment suppliers must re-engineer their management culture to emphasise service over product thinking, while at the same time, building up to control a much wider spread of service resources than they have historically been able to offer.



Open Support Services—The Challenge

The increasing demand for open systems has led to an increasing interest in the concept of *open* support services. However, the existing supply side infrastructure is not ideally placed to exploit this latest demand. The final step that services vendors must take in meeting these new open services needs is to understand the changing environment and the nature of the challenge that this presents to their existing services organisation.

A
The Integrated Support Model

The increasing demand for open systems logically leads to the concept of open support; the seamless supply of support services directly delivered to the end user and embracing hardware, software and communications—no matter how or where it was sourced.

The traditional segmentation of IT activity has been at the resources level:

- Equipment
- Software
- Infrastructure
- People

Each has been separately supplied by different types of companies: hardware vendors, software and systems houses, consultancies and telecommunications suppliers. As well as supplying the products, these companies have also provided support for their own specialty area, leading to a high degree of fragmentation and high-maintenance profit margins in virtual monopoly situations, which in some cases are still being vigorously defended.

A number of developments have already eroded this position:

- Third-party hardware maintenance
- Third-party software maintenance
- Systems integration
- Increasing hardware and software reliability
- Falling IT component values that increasingly make replacement as viable as repair.

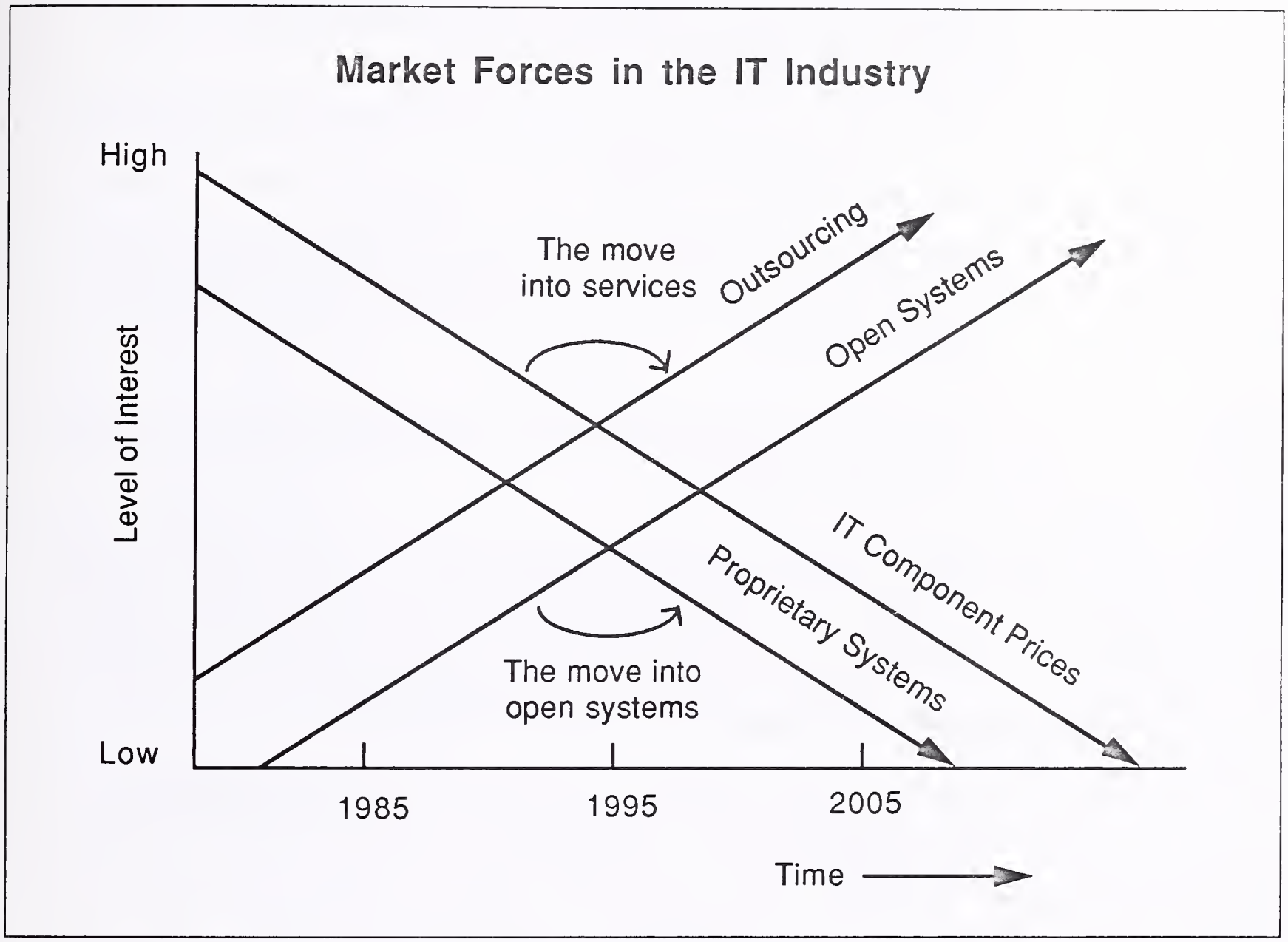
The combined effect of these is to redefine the minimum maintainable unit. Instead of this being the individual item of equipment or software it becomes the system, or the application, or a generic product group such as PCs. Also, the proliferation of help desks, either at customer or supplier level, reflects the growing need to provide a single point of contact for problem resolution.

For example, suppliers have been coming to terms with hardware vendors building third-party maintenance capability into their customer service teams. Market forces are now at work, however, which means that the current rate of progress towards integrated services must be hastened.

As shown in Exhibit III-1, the cross-over point is being approached when open platforms take over from proprietary platforms as the dominant usage, while at the same timescale:

- Outsourcing grows as a viable practice
- Component prices continue to fall

EXHIBIT III-1



Open systems and outsourcing are complementary responses to increasing technological complexity and are given an extra impetus by a depressed economic climate. IT users want the benefits that increased use of information systems across the whole spectrum of business activities, but they have no wish to be forced by proprietary approaches to limit their choice of supplier, or in many cases, to develop their own technology competence in order to use basic business tools. Listed on the following page are the driving forces in order of impact on the user organisation:

- Open environments are typically multivendor
- Open systems blur the hardware/software divide
- Users are becoming less of the IT specialists or are not even IT trained.

- Networked and open systems demand user level support.
- Users are concerned with availability of applications instead of the IT infrastructure.
- Users want a single point of contact for problem reporting and resolution.
- Outsourcing creates an expectation of single source problem resolution.

Open systems and outsourcing also demand greater integration of support. The need to move support from being a component level activity to one directly underpinning real-time use of business applications is illustrated in Exhibit III-2.

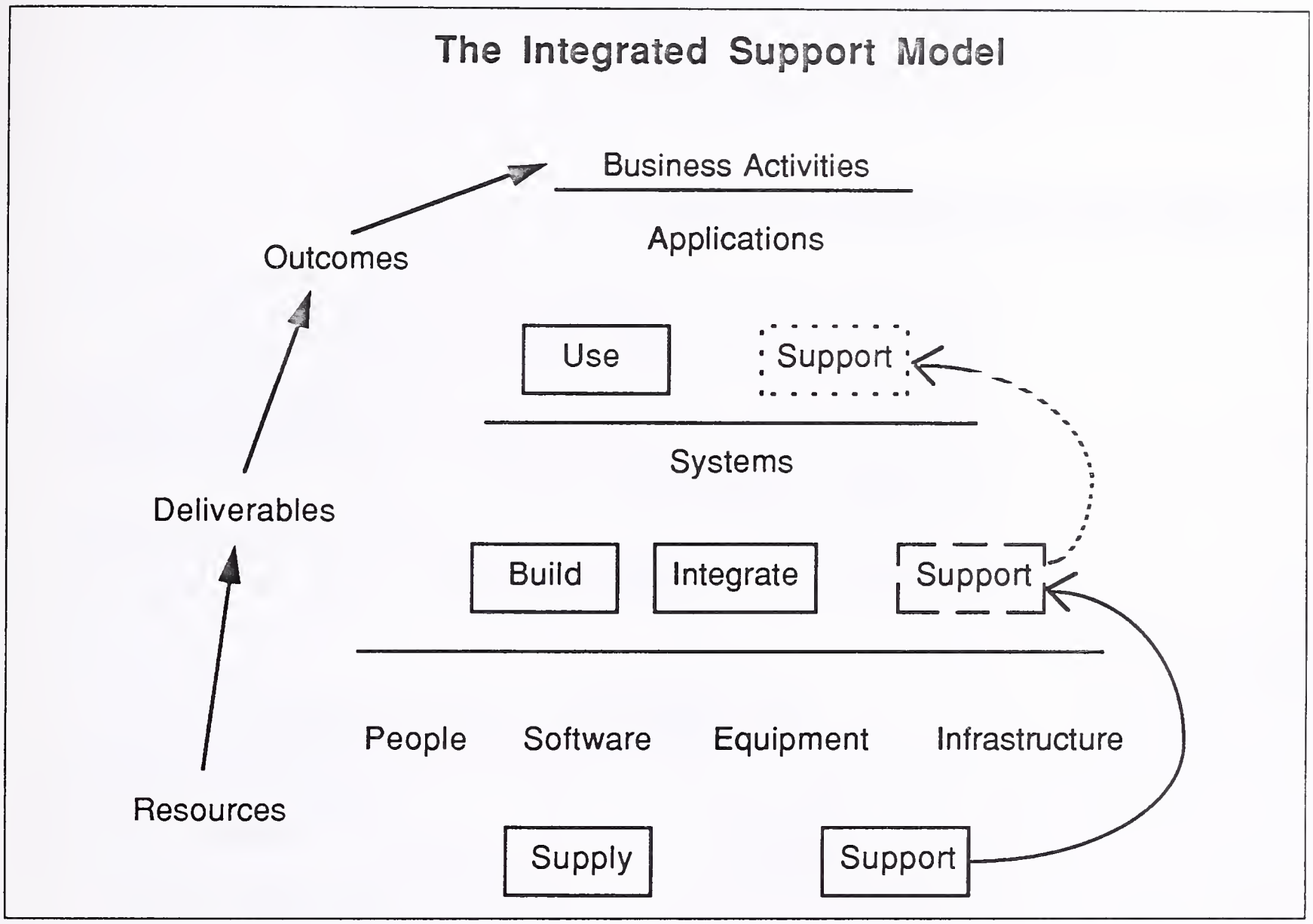
In this picture, a staircase of opportunity is presented to the vendor in which he is invited to offer greater proportions of added value in mission-critical and strategic services.

Many suppliers are already selling the concept of integrated services to their customers heavily because they recognise that as IT component prices fall, survival rests with taking a larger share of each customer's total IT spend. The danger is that demand for integrated support is, through a combination of user pull and this supplier push, already running ahead of the ability to supply; therefore, the gap is likely to widen further.

The problems for suppliers in developing an open support capability are in:

- Determining the delivery mechanisms—customer specific and/or 'shrink-wrapped'
- Obtaining the spread of resources necessary to span the support spectrum
- Deciding the resourcing mechanisms—acquisition, partnering, retraining, recruitment
- Resolving the implicit cultural issues in bringing together what have traditionally been distinct areas of activity

EXHIBIT III-2



- Creating new sales channels or redirecting old ones
- Determining new pricing approaches
- Resolving technical integration issues at the product and application level
- Creating new support tools (such as remote fault resolution) appropriate to networked and open environments
- Demonstrating delivery competence to the customer

The need to deliver integrated support is recognised as strategic by many suppliers, but today very few organisations can do this at the systems level, let alone the applications level.

Open support is still a dream, but should not be allowed to become an impossible one. There are many issues to be resolved, but if it is not achieved, it will be because the IT industry is unable to overcome old segmentations and traditional rivalries—putting its own concerns above those of its customers.

B
Developing an Open Support Capability

Providing open support—the seamless supply of support services delivered directly to the end user and embracing hardware, software and communications—involves more than simply having access to all the required resources. There are fundamental organisational issues to be addressed in moving from the current fragmented support picture to one in which the different elements interact smoothly to resolve customer problems quickly and with minimum intervention.

Identifying the different support functions necessary to open support shows just how many distinct activities are involved.

EXHIBIT III-3

The Elements of Open Support

Function	Resources
System Operation	Operators
System Monitoring	Systems Engineers
Network Monitoring	Network Engineers
Problem Reporting	Help Desk
Problem Diagnosis	Help Desk Remote Diagnostics
Problem Resolution-	
Operating Software	Software Support
Application Software	Software Support
Hardware	Systems Engineers
Network	Network Engineers Remote Support Tools
Problem Escalation	Product Specialists Product Suppliers
System Enhancement	Systems Engineers Network Engineers Software Support

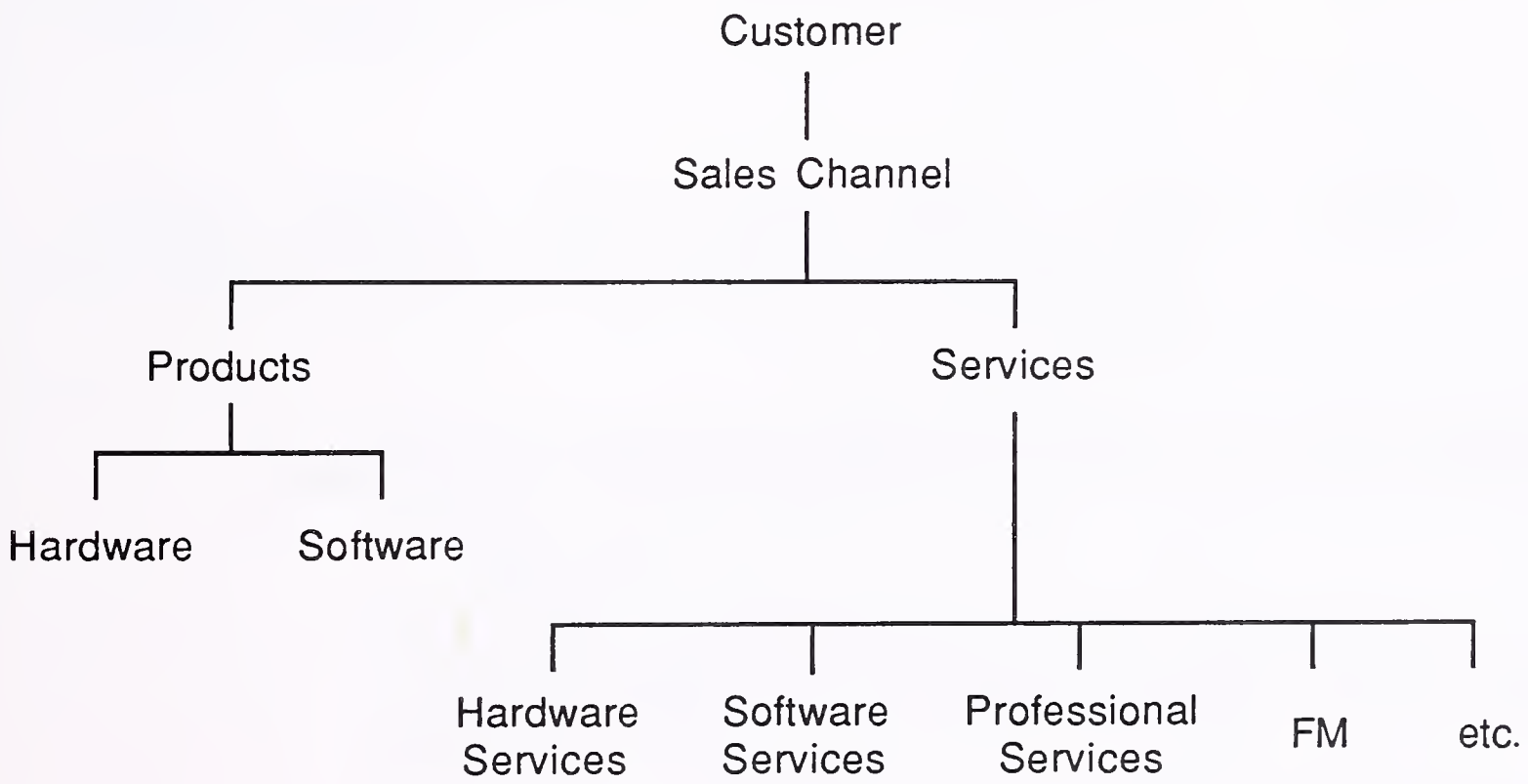
Some suppliers have access to all these resources within their own organisation; others will be dependent upon relationships with other suppliers to provide the complete support spectrum. In both cases, the successful integration of the different elements will depend upon having effective mechanisms for channelling service sales and delivery, ensuring smooth co-working.

A number of organisational models are currently in use reflecting the different positioning and priorities of varying supplier types, as was shown in Exhibit II-2.

Exhibit III-4 illustrates the first of these.

EXHIBIT III-4

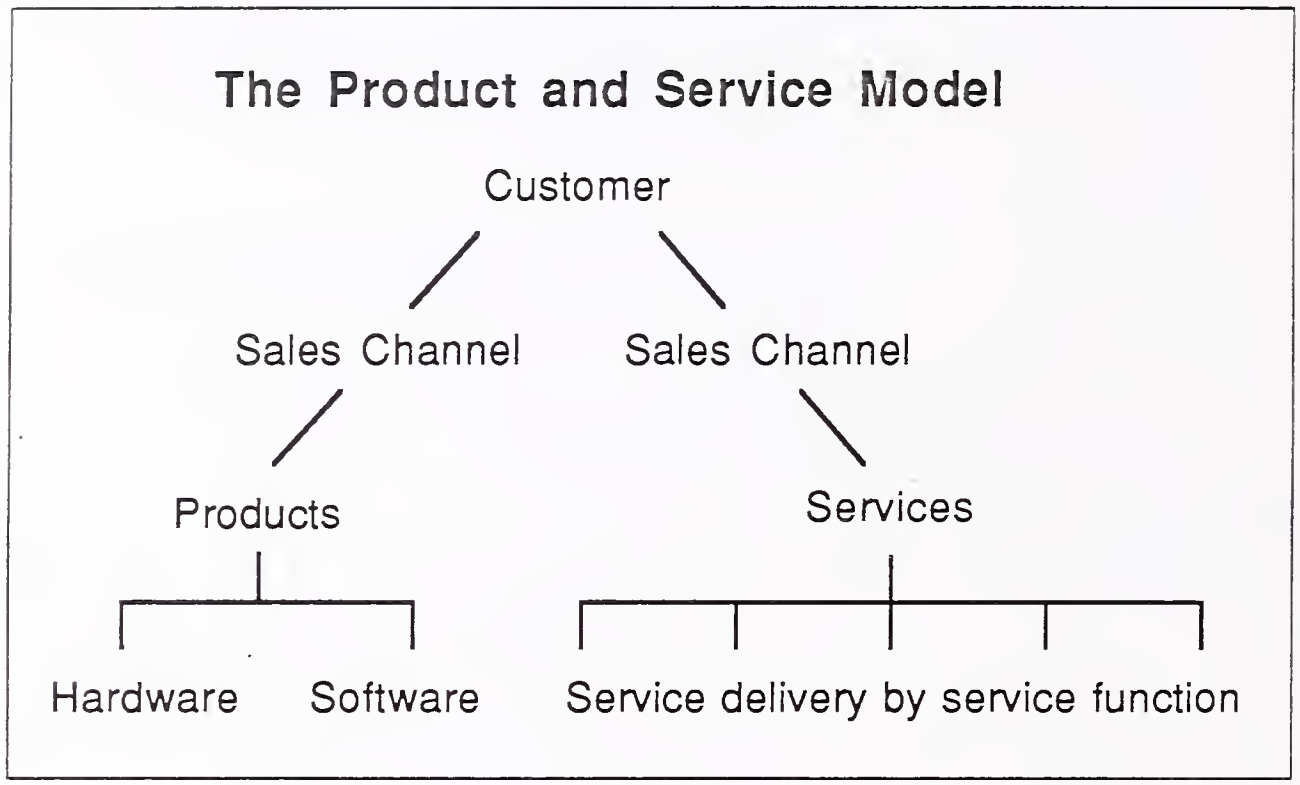
The Single Sales Channel Model



This model is found in companies with a strong vertical market, or account focus, in which the sales channel is responsible for identifying and fulfilling a broad span of customer needs.

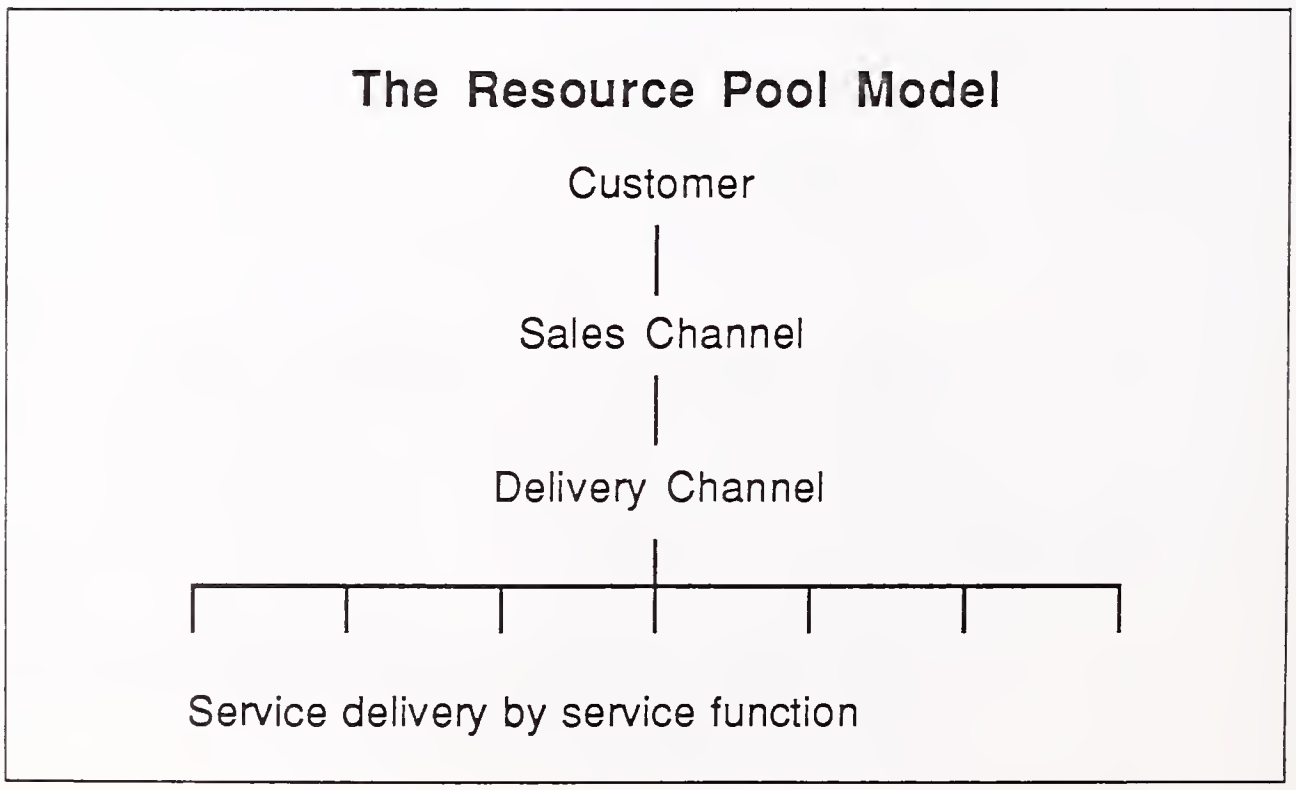
Exhibits III-5 and III-6 illustrate the next two models respectively.

EXHIBIT III-5



The Product and Service model is found in companies that are seeking to sell services on the open market as well as in conjunction with their own products.

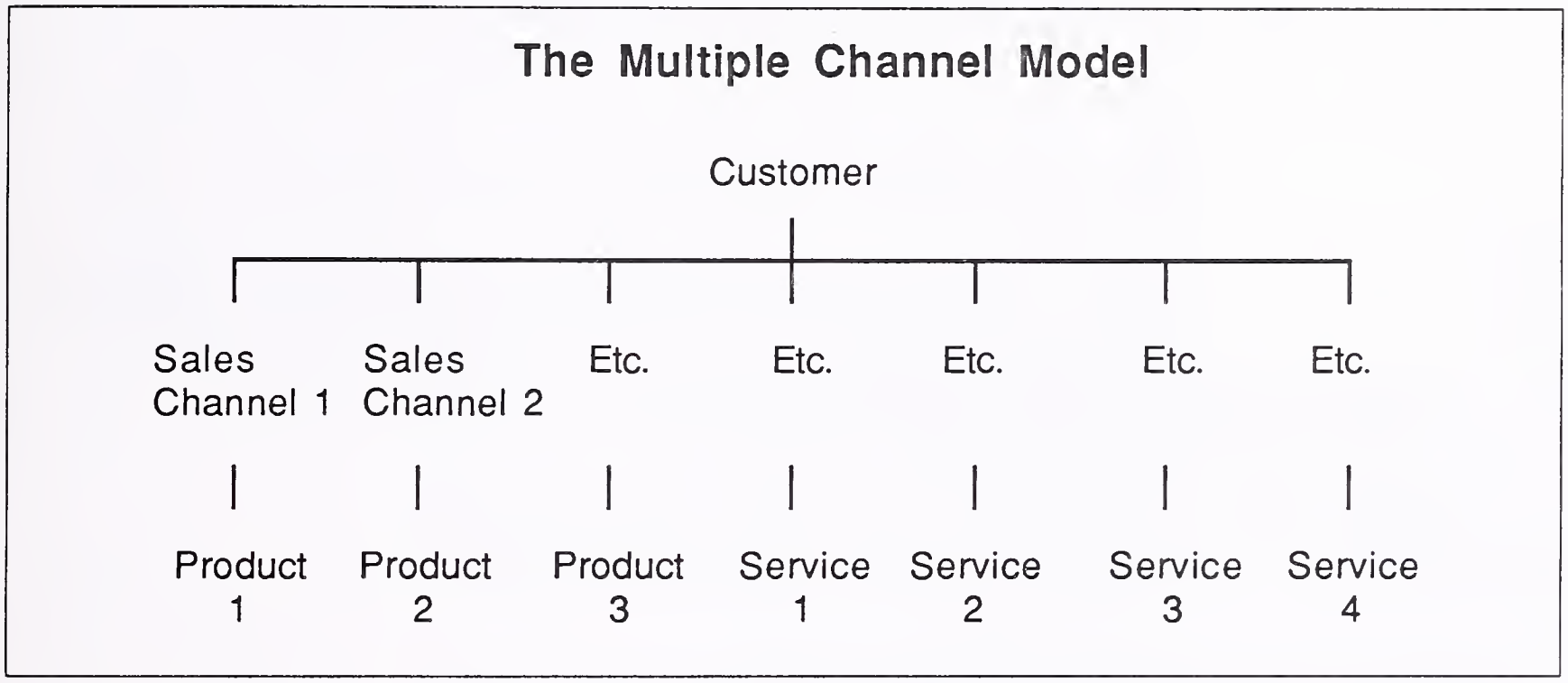
EXHIBIT III-6



The Resource Pool model is found in companies whose approach to market is strongly segmented by, for example, system type (large systems, proprietary systems, open systems etc.) or by industry sector with products and services streamed behind each segment.

Exhibit III-7 illustrates the multiple channel model.

EXHIBIT III-7



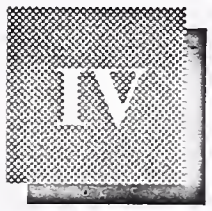
This model is found in organisations whose approach to market is centred around functionally based profit centres, each drawing upon its own sales capability.

All these models are also found in service only companies, with the exclusion of the product streams. Some very large organisations may be structured in such a way that several of the above models are present in their different parts.

It is found that the greater number of sales and delivery channels involved, the greater problems of providing integrated services will be. Those organisations with multiple channels are replicating the present market supply position in which different suppliers provide different parts of the service spectrum. They also run the risk of replacing external competition with internal competition between different business units; each of which is tasked with achieving revenue and profit targets. Creating any form of intra- or inter-company trading is likely to compound the problem—fragmenting as it does to ownership of resources and creating internal barriers to trade.

When the channels to market are less complex, the issue becomes one of ensuring that the sales channel is: aware of the full range of the company's offerings; properly supported in presenting these to the customer; motivated to sell them in accordance with the company's overall priorities. Suppliers whose backgrounds have largely been in product supply obviously also have to address the differences between selling products and selling services, with the shift in emphasis from the demonstrable to the often conceptual.

Fundamental in creating an open support capability will be pricing mechanisms that allow the customer to receive all the benefits of single source provision within the context of a contract that is flexible enough to meet changing needs. Perpetuating pricing based on equipment types and volumes, for example, creates an often unacceptable bureaucracy concerned with ensuring whether service demands fall within the scope of the contract or not. Likewise, service level monitoring connected with response times rather than systems availability is missing the open support point. Flexible resource-based or subscription-based pricing that allows the customer to mix and match service elements on an 'as needed' basis is much more appropriate to the open environment.



Developing an Open Support Culture

A
The Different IT Vendor Management Cultures

Creating an open support capability—the seamless supply of support services delivered directly to the end user and embracing hardware, software and communications—demands a broad spread of skills. The major problem that service suppliers face in developing open support services is the difficulty of bringing together the different cultures that these different skills represent.

Support services have traditionally been segmented into those associated with hardware, software, systems development and operations, often with a different source of supply for each one. These distinct origins and distinct service needs have resulted in the development of distinct cultures, which can be broadly summarised as:

- The product culture
- The project culture
- The contract culture

The product culture is principally found in the equipment and software product vendors. The energies of the organisation are focussed upon developing products that meet and anticipate the needs of the marketplace, and the sales channel is trained to interpret the needs of its customers and prospects in terms of the products available. In such companies, any services offered have typically been sold with the products and priced relative to them.

The project culture is largely the terrain of the consultancies, software product and professional services companies, that are called in by a customer to scope or to design and develop a particular systems solution. The company's resources and internal systems are therefore focused around the notion of the project, which is priced according to the resources needed

to deliver the required solution. The role of the sales channel is to promote the company's relevant competence and to ensure that the customer's needs are properly responded to and understood.

The contract culture is typical of the third-party maintenance companies, the system operations vendors and in the case of the larger systems vendors, of their customer service divisions. The services provided are defined by the contract under which they are supplied, and much energy is devoted to ensuring that the contract boundaries are well understood and adhered. Pricing is typically based upon an assessment of the resource levels needed to meet the terms of the contract, often with elaborate mechanisms for measuring variation around the pre-agreed norm. The concept of the contract as an aid to service delivery is often sold as heavily as the services themselves.

In practice, all of these different cultures described above may be represented simultaneously in a single organisation. For example, new business sales teams in all company types will tend to have a project culture regarding each new bid as a project in its own right. Account managers, conversely, tend to the contract culture regarding the relationship with the customer as an ongoing concern.

Many of the difficulties experienced by IT companies in achieving a smooth interface between their sales and delivery channels can be attributed to these cultural differences.

Predominant cultures also vary by country market. For example, in those European markets such as Spain and Italy where IT services are not so well developed, a product culture tends to dominate suppliers and customers alike, much as it did in the more advanced economies ten or more years ago.

The analysis shown in Exhibit IV-1 highlights the potential clash of management cultures incurred when organisations attempt to bring together different resource groups with the objective of delivering *open support services*. These cultural differences can represent a significant barrier to effective co-working because open support demands a mix of all three cultures.

EXHIBIT IV-1

Resource Group Management Cultures

Resource Group	Dominant Management Culture		
	Product	Contract	Project
Product Design	✓		
Software Product Support/Maintenance	✓	✓	
Hardware Engineers	✓	✓	
Help Desk		✓	
Account Management		✓	
Operational Services		✓	
Consultants			✓
Systems Designers			✓
Software Development			✓
Sales			✓

Product skills are vital in ensuring that the implicit technical complexity in open and networked systems remains transparent to the user; project skills are needed to ensure that systems evolve in line with changing customer needs; and contract skills underpin the customer relationship and the achievement of agreed service levels.

Clearly, the guiding principle holding the different service elements together should be a strong focus on the customer coupled with flexible attitudes. How companies chose to structure their resource teams in providing open support will also have a strong bearing on whether cultural differences become a strength or a weakness.

B
Delivery Structure Impact On Open Support

If resources remain streamed by function below the help desk level, with the overall support contract only acting as a mechanism for giving access to and charging for the discrete service elements, then seamless support, in the view of the customer, is unlikely to be achieved.

Under these circumstances, customer focus may be lacking and individual contracts will be just one of many serviced by the resource groups, with perhaps little appreciation of the overall characteristics of each. This will be particularly marked if the resource groups are profit centres or individual companies.

If on the other hand, resources are brought together in the context of either individual contracts or to service groups of like contracts, then the prospects for smooth integration of activities are improved. For example, a group of small software companies each supplying UNIX applications to IBM, work together to ensure that enhancement of one company's product does not adversely impact another's. From the customer's perspective these software products, although independently sourced, can be confidently integrated at the user level.

It is easy to underestimate the effect that failing to tackle cultural differences can have. One well-known IT services company in the U.K. has two divisions: one providing systems design and development services, and the other providing third-party maintenance. Despite a marked decline in the company's performance in recent years, it has not been successful in bringing the two divisions together. Each continues to maintain separate sales channels, quite distinct customer bases and to develop new service products in splendid isolation from each other. Attempts by the respective management and marketing teams to work together fizzle out as soon as responsibility for action passes to the operational level. Yet, this company owns many of the resources needed to provide open support; however, its own lack of will frustrates any move toward doing so.

The degree of service integration required varies by customer type. Large corporate organisations pursuing an outsourcing philosophy will seek to minimise the number of suppliers and maximise service management: small to medium- sized companies will look for packaged solutions and packaged services; heavily dependent will look upon remote support. Therefore, there are likely to be markets for highly customised and 'shrink-wrapped' open support services.

Whether targeting customised or 'standard' open support service opportunities, vendors must recognise and address the implicit cultural issues in open and integrated support. Those companies that ensure that all their activities are focused on the customer, and that their delivery channels

do not exacerbate cultural differences, are those that have the best chance of winning the services battle.

The next chapter examines this management culture challenge from the perspective of system vendors, independent maintenance organisations and *computing* services companies.

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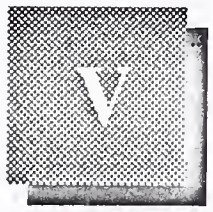


The Open Support—Challenges for Vendors

This chapter examines the *open support services* challenge facing these distinct groups of vendors:

- System vendors that predominantly have a product management culture
- Independent maintenance organisations that predominantly have a contract management culture
- Independent service vendors that typically are dominated by a project management culture

The particular challenges for each vendor group are discussed below.

A
The Challenge for System Vendors

1. The Move into Services—The Rationale

The falling prices of IT components are no longer being compensated for by ever rising volumes. At the same time, the increasing penetration and complexity of IT applications is driving users away from proprietary systems towards open environments in which multiple-sourced products can be interworked.

The challenge for system vendors is twofold: to find new revenue and profit streams to put performance on an upward curve again; and to protect their existing customer bases from increased competition in open markets.

It is hardly surprising that in looking for new opportunities the majority of system vendors have emphasised services. The IT service companies have recently achieved higher average margins than hardware (although not software product) suppliers. Services represent an ideal opportunity to win a higher proportion of existing customers' IT spend.

Most vendors would claim that they have been involved in the supply of services for many years and that most services now contribute 50% or more of total revenues. However, once maintenance and training revenues, directly associated with their own products, are taken out of the account, along with, for example, maintenance revenues from third-party equipment directly connected to their own, the proportion of services provided on an unprotected competitive basis remains relatively small. Also, falling hardware values mean that services can represent an increasing proportion of the total without showing substantial real growth.

Another significant change for most vendors is that developments such as outsourcing and third-party maintenance are threatening the traditional pattern of relationships with their customers; greater competitiveness is needed for defensive and offensive reasons.

In approaching the services marketplace vendors divide into two camps: those seeking to sell services principally to their own customer base, and those developing services to sell across the board. Thus, typical examples would be:

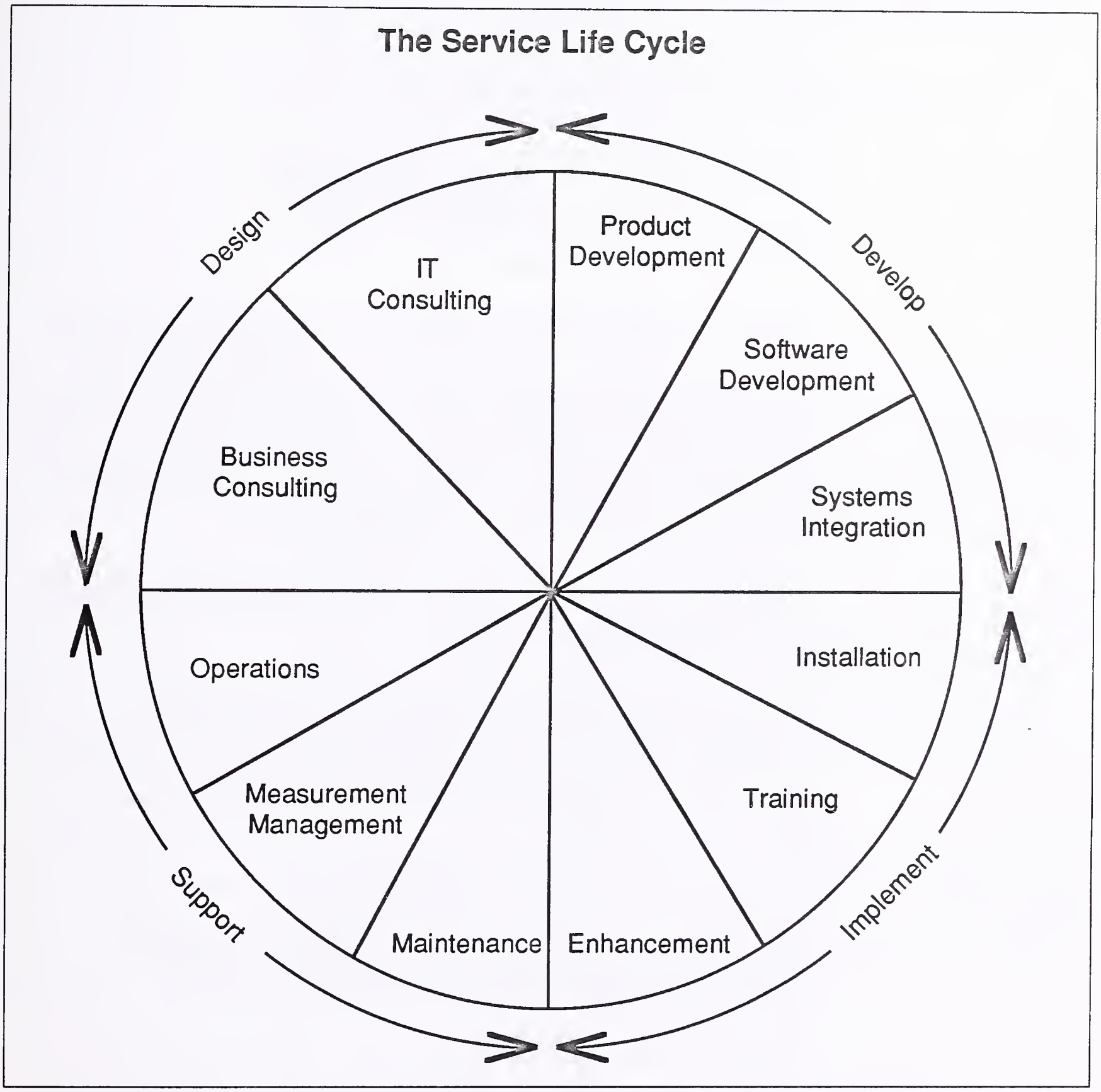
Own Base	Open Market
Amdahl	Digital
Bull	IBM
Hewlett Packard	ICL
Siemens Nixdorf	
Sun	
Unisys	

Those developing services for their own base typically see open systems and third-party services, such as maintenance, as the channels through which services can in due course be moved out into the broader marketplace.

2. The Services Life Cycle

The notion of a services life cycle embracing design, development, implementation and support underpins much of the thinking about services; the concept of the services life cycle is illustrated in Exhibit V-1. The initial focus for most system suppliers is on the implementation and support quadrants because these create the best opportunities for improving the performance of their own products and for extending the existing skills base rather than creating new ones. However, vendors also recognise that decisions about what systems to buy are made at the design stage, and that if they are going to influence these decisions then they must have competence in this area as well.

EXHIBIT V-1



In developing their service capability, system vendors face a number of challenges:

- What services should be developed?
- What competitive position should be adopted?
- How will new service skills be resourced?
- What sales and delivery channels need to be constructed?
- What cultural issues need to be addressed?
- How can traditional 'box-shifter' images be changed?
- How should services be packaged and presented?
- Should services be a means or an end?
- Will customers be convinced?

The principal question to be answered is how far to move from the existing skill base. Is it realistic for IBM and Digital to expect better success for their business consulting ventures than ICL achieved with its ill-fated IT partners? Will customers buy business consulting services from companies that are alarming shareholders by their slow response to their own performance problems? In practice, users will buy consulting services from system vendors when it clearly provides access to unique skill sets and management capabilities, e.g., for manufacturing systems.

Similarly, how can companies demonstrate that their facilities management and outsourcing services are not primarily motivated by the desire to retain influence over equipment purchasing?

Many vendors have extended their solutions capability by forming partnerships with systems and software houses, particularly in the development of industry specific and UNIX-based software. How can they ensure that these companies work together to provide, for example, integrated software support that can in turn be meshed with their own systems support activities?

The answer must lie in having a proper services strategy that contains:

- Honest analysis of existing capability, strengths and weaknesses
- Realistic target market segments by customer and service type
- Sensible market share objectives
- Objective milestones to achievement
- Detailed service development plans

3. Service Strategy Implementation

Equipment vendors face substantial challenges in developing first a broader service capability and then in integrating their service offerings so that these can be flexibly adjusted to meet the needs of their target markets.

The market shift towards outsourcing and open systems demands service and technology integration. Vendors will be forced to address the issues outlined below and those that fail to do so will be left behind in the services race.

These challenges are discussed below under the following headings:

- Competitive positioning
- Resources
- Channel management
- Image
- Packaging and presenting services

a. Competitive Positioning

Despite the competitive pressures of the last two years services are still less price sensitive than equipment. Being largely people-based, productivity gains are harder and slower to achieve. Equipment vendors have, however, typically responded to competitive pressures by reducing prices and lowering margins in the expectation of increasing sales volumes. When proprietary service revenues have come under attack, as in third-party maintenance, the response has usually been to drop prices.

There is a real danger with equipment vendors, dealers and consultancies all targeting the IT services sector that price rather than service value will become the principal competitive weapon, and that the increased margins everyone is seeking will be driven out. Customers have already seen the cost savings they can achieve in maintenance by threatening increased competition, and there is no doubt that corporate customers will use the explosion of services supply to force prices down.

Vendors need to be particularly careful about pricing services because they have traditionally linked service pricing to product pricing, expressing software support and hardware maintenance as a percentage of sales values. They are not used to resource-costing and are likely to be less aware of the true cost of their service resources. Failure to understand service costing and pricing could prove expensive in the long run.

b. Resources

The fundamental choice for system vendors is between organic or leveraged extension of their service resources. Typically, those vendors targeting their own customer base are using recruitment and retraining as the principal mechanisms for adjusting their skills profiles while those seeking to attack the broader services marketplace are also using acquisition and partnering. ICL, for example, has made acquisitions in third-party maintenance (Sorbus), facilities management (CFM), distribution (Technology plc) as

well as forming numerous software product related joint ventures (e.g. OMNIA) to create what is described as a set of ICL group companies.

There are dangers in both approaches: the first risks slow progress and the second risks what has been termed 'acquisition indigestion'. Partnering is attractive because it has the least impact upon traditional patterns of supply, but is only for those companies that can create the contractual and cultural environment in which partnerships work effectively.

c. Channel Management

The two key issues here are how to sell services and how to channel their delivery.

On the sales side there is a clear temptation to set up separate sales channels for services, perhaps bringing in experienced sales personnel from the services sector, with a view to short-circuiting the task of teaching the existing sales force a new modus operandi. The problem is that doing so reinforces cultural differences between product and service selling and weakens the customer focus that ought to hold the company's various offerings together.

On the other hand, channelling services through the existing sales force has to be backed up by reward mechanisms that focus upon the relative sales priorities of the organisation. If sales teams receive the same reward for selling the strange as for the familiar, then it would be pretty obvious where most of their energy will be spent. The same clarity of thought that is going into developing services strategies needs to go into thinking through the operational tactics.

From a delivery perspective, the key question is whether delivery resources should be grouped functionally by customer or by sales channel (vertical market or systems type).

Functional grouping has logical simplicity, but runs contrary to customer focus, particularly when the service functions are individual profit centres or even separate companies.

Customer-based groups rely upon some notion of resource pools. These can be configured to meet the needs of particular customers or particular customer types, but lead to problems of ownership, costing and matching supply to demand—especially when the same resources are shared between different customers.

Matching delivery to sales channels (in effect creating complete sales and delivery businesses) works well when there is little overlap of product and service between the different businesses, but obviously is very inefficient when this is not the case.

d. Image

One of the hardest tasks for equipment vendors is changing market perceptions of their capability. ICL claims to be the U.K.'s largest services supplier, with service revenues of over $750 million, but is still seen by many users as a systems rather than a solutions supplier.

One way of creating a distinct image for service activities is to brand them separately—as ICL is increasingly doing. For example, ICL Training has now become Peritas, and environmental services have become Workplace Technology. IBM is already following the same route and Unisys has brought its service activities together under the Totality umbrella.

However, behaviour alters attitudes more fundamentally than advertising. If service really is an end in itself, this will show in the way the company behaves to its customers. If service is simply a route to equipment supply, then this will be equally apparent. CFM has the largest market share in the U.K.'s local government FM not because it is owned by ICL, but because its principal service is FM for ICL users. That is why equipment vendors must sell the service concept just as intensively to their own sales forces as to their customers.

e. Packaging and Presenting Services

How services are presented also has considerable bearing upon how credible these appear.

There is no doubt that product-marketing skills are more highly developed in the equipment vendors than in the traditional services suppliers. It is also equally apparent that vendors are more comfortable in promoting their services internally and externally if they can be packaged and branded first.

Whether this is an appropriate strategy depends upon the target market for the service. For example, in those parts of the market in which the use of IT is largely product-based and the use of services relatively underdeveloped (such as small to medium-sized companies and country markets in Spain), then a packaged approach to services is likely to be effective. By contrast, large corporate users that are used to scope service demand for themselves and are shopping around from a range of suppliers, are unlikely to be impressed by a salesman with a stack of service brochures.

Much of the services literature developed by equipment vendors is pretty uniform and platitudinous about customer partnership, complete solutions and service quality. The focus needs to be on identifying true differentiation.

B
The Challenge for Independent Maintenance Companies

1. Declining Emphasis on Maintenance

Independent maintenance companies face a number of threats to their core hardware maintenance revenues:

- The total maintenance market is in decline as systems become cheaper and more robust.
- The hardware vendors are improving their multivendor maintenance capability.
- The move towards outsourcing means that more maintenance is seen as one element in a package of support services, rather than an independent service in its own right.

On the other hand, the development of open and networked systems, in which the distinction between one system element and another becomes increasingly blurred and multivendor configurations are the norm, places emphasis upon systems availability rather than equipment repair. This plays into the hands of the larger independent maintenance companies that have been promoting the concept of systems availability for some time. It also forces systems vendors to abandon restrictive approaches to systems support, as these become less tenable in mixed environments and users become more intolerant of suppliers that seek to limit their systems choice.

Therefore, the key issues for independent maintainers are:

- How to increase their share of the maintenance market
- How to exploit the various channels to maintenance that exist
- How to increase the spread of their service offerings through the technology and value chains

2. New Service Development

Amongst the major independents, the principal emphasis in new service development is on software and networking—extending the concept of systems availability to the whole system infrastructure below the application level.

The important point regarding software product support is to avoid falling foul of the proprietary rights of software licensors while still providing

significant added value to the customer by identifying the source of software faults and managing their resolution.

Application software is thought more difficult (outside the area of industry standard software) because it demands skills in systems analysis and design that fall well outside the typical skills and competence of an equipment maintenance company. For that reason, application software support is not at the forefront of the maintainer's service development plans. However, the real benefits of integrated support accrue when it extends to the application level; competence here could provide substantial market leverage.

It has been argued that networks should be seen simply as part of the system rather than as a separate entity, and that looking at them in this way reduces the degree of mystique often attached to network management. This approach is certainly practised by the maintenance companies who often absorb physical support of the customer's network into their contracts. Though the market continues to make a distinction between systems and networks, the maintainers need to address the situation through their competence and of their services.

Other service developments that fit logically into the frame of systems availability are:

- Environmental services including cabling and wire management
- Remote and on-site monitoring services that reduce the need for remedial activity
- Help desks
- Remote support services
- Information services such as relative failure rates by equipment type
- Asset management services
- Disaster recovery

3. Service Strategy Implementation

Independent maintenance companies were instrumental in separating systems support from systems supply and in offering customers a choice when there had been none before. If, however, they are to retain a distinct identity as the market moves towards more integrated support services, then they must innovate their market offer again and create real capability in managing open and networked systems ahead of competitors.

Culturally, they have many of the skills necessary to achieve innovative market changes, and can use their vendor independence to lever activities such as the development of open information standards for systems support.

Failure to take the high ground could otherwise see the independent maintenance companies either be driven back down the supply chain to the role of skilled subcontractors or absorbed into the expanded support capability of vendors and outsourcers. The service strategy implementation steps that need to be carefully evaluated by this group of vendors are discussed below under the following headings:

- Channel Management
- Resources
- Management Culture and Image

a. Channel Management

One issue already well recognised by maintenance companies is the need to distinguish between different categories of customer. Exhibit V-2 lists a number of potential channels for business development.

EXHIBIT V-2

Key Maintenance Customer Groups

Product Suppliers	Service Suppliers	End Users
System Vendors	Value-Added Resellers	Corporate
Software Product Vendors	Outsourcing Vendors	Systems Integration
Telecom Equipment Vendors	Telecom Service Vendors	Desktop
	Insurance Providers	

Each of these groups represents a legitimate channel through which a maintenance company can seek to extend its share of the total maintenance market. Yet most maintainers appear to focus the bulk of their sales effort on the end-user market.

Given that open systems and outsourcing demand greater integration of support services, there is a real risk that unless maintainers develop a greater

spread of channels, they will lose access to the end user's search for packaged or outsourced support solutions, and miss the opportunity to become the integrated support arm of the product and service suppliers. The systems operations companies, for example, largely subcontract maintenance services. They could, however, chose to acquire this capability for themselves in order to improve the span of their own service offerings.

b. Resources

The key question with regard to resources is whether to grow software and network skills incrementally through training and recruitment, to obtain them through acquisition, or to create a partnership with established suppliers. Each route presents problems because culturally it is difficult to graft a small group of unlike skills onto a well-established organisational; however, the acquisition route will make the needed integration services in open support harder to achieve. Partnering is attractive if the right mechanisms can be found for channelling service delivery issues—otherwise there is a danger of simply increasing complexity.

There is a real risk that the maintainers become acquisition targets. Sorbus already falls under the controlling influence of ICL, and no doubt other vendors would like to leverage their third-party skills through the acquisition route.

Another resourcing issue is how to drive up productivity and decrease the degree of direct human intervention necessary to resolve systems problems. As systems become more deeply embedded in the direct day to day operations of businesses, tolerance of downtime will decrease and expectations of response speed will increase. Maintainers must keep pace with or outstrip the development of remote diagnostic and repair techniques by vendors if they are to provide effective competition in high availability environments.

c. Culture and Image

Culturally, the notion of open support is less difficult for the maintenance companies than for equipment vendors. Maintainers are typically in a long-term relationship with their customers and have well-developed mechanisms for setting up, managing and monitoring support contracts based on service level agreements. Many base their costing and pricing upon resource consumption rather than simple equipment types and volumes, and the notion of handling support across a range of systems from a number of discrete suppliers is well understood and administered.

The first trick will be extending this contractual approach to areas such as software where failure and fix rates are less susceptible to prediction and analysis.

The second will be absorbing new types of resource, such as software specialists, into what have essentially been mono-cultural organisations, in which an engineering base is common to operations and management personnel.

The third issue is a marketplace one. Maintenance companies have largely drawn their sales personnel from engineering or product sales backgrounds, and the sales pitch has typically been operational, 'we can provide better maintenance coverage, usually at a lower price, and with less inconvenience to the customer'. Systems availability management is much more conceptual, and certainly in the corporate marketplace it is likely to be sold more at the management than the operational level.

C
The Challenge for Independent Computer Services Companies

The complementary development of open systems and outsourcing has profound implications for the traditional pattern of IT services supply. Computer services companies have already seen a shift away from the segmentation based on services sold to the IT function, such as IT consulting, processing services and software specification and development. The new emphasis is upon services provided at the business level such as systems operations, value-added networks, and systems integration. This process will be hastened and extended by the concept of open support.

The increasing intensity of competition in the services area, coupled with greater integration of services likely to result from current market developments, mean that rigourous assessment of how to strengthen competitiveness and differentiation are needed by all the computer services companies if they are to survive and thrive in the future.

Two principal categories of independent computer services companies are considered: systems operations (SO) vendors and consultancies. It is recognised that many of the larger players include all three areas of activity within their service portfolios.

1. The Issues for Systems Operations Vendors

The principal question for systems operations vendors is whether to relate their services to particular technology platforms, or to market sectors or service functions. Focusing upon technologies allows SO companies to offer a level of technical sophistication that they may not be able to afford on their own; thus, the possibility of competitive advantage based on technology exploitation. Concentrating upon market sectors allows the SO company to extend its solutions into specific software and networking applications. Homing in on service functions such as operations or network

management allows the supplying company to increase the spread of target customers to those interested in outsourcing particular activities and full systems operations.

All the systems operations vendors are keen to exploit the development of open systems, but for different reasons. The technology specialists can offer migration services that allow their customers to move systems onto open platforms earlier than would otherwise be the case. The industry specialists can develop open applications that can be sold to their customers irrespective of their principal hardware platform. Furthermore, the service specialists can offer skills that their customers have no need to develop in-house.

The challenge in open support for the SO vendors comes from deciding how broad a spread of services to develop. Most SO companies do not provide infrastructure maintenance themselves because they prefer to subcontract either to the equipment supplier or to a third-party maintainer. Similarly, with the notable exception of Andersen Consulting and CSC, the SO companies are not typically involved in business consulting and have relatively little opportunity to influence the IT direction of their customers or the product strategies of the equipment vendors.

The question then becomes one of whether to go upstream, downstream, or stay in the middle and respond to demand for open support by concentrating upon service management rather than broader service delivery.

Culturally, the SO vendors have little difficulty in the concept of open support. They tend to relate strongly to their customers (particularly because many of their staff have been taken over from their clients) and are used to frame resource-based contracts of extended duration, embracing multiple services and skills. They are already providing support at the systems and the application level.

Extension downstream into hardware and software maintenance looks easier than pushing upwards into high-level consulting. SO vendors are often perceived as technicians rather than consultants. Through focussing upon exemplary knowledge of the technologies by managing technical complexity and providing discrete services within a single contractual framework, the SO vendors have the potential to thrive in an open support environment.

2. The Issues for Consultancies

At present, there is a rich market for the consultancies in determining what aspects of their customer's IT activities can and should be outsourced, or moved onto open systems platforms. A number of consultancies are also seeking to follow the Andersen Consulting model and develop facilities systems operations of their own, either alone or in partnership with other vendors.

In moving downstream into direct support services, consultancies tend to use their relationship with senior client management to leverage the sale. There is a suggestion that failure to win acceptance by the consultancies at the operational level could come back to haunt them, just as part of the current backlash against IBM is attributed to the rise up the managerial ranks of people on whom 'big blue' decisions were imposed in their younger days.

Therefore, it is particularly important for the consultancies to understand the cultural differences implicit in ongoing support.

Consultants tend to be project-oriented, working within defined terms of reference to produce a specific deliverable. A degree of objectivity in the relationship with the client is desirable, and consultants will typically work for a number of customers during a given time period, whether simultaneously or consecutively. Consultancy contracts can be rather loose and open-ended because the exact process by which the desired outcome will be achieved is not always known in advance.

Thus, consultancy is virtually diametrically the opposite of the long-term support relationship.

Knowing how to manage and motivate staff in totally new contexts is also challenging. Following the SO route of taking over client staff addresses the attainment of necessary (and different) support skills, but means that two quite distinct types of personnel now have to co-exist within a single management framework.

As difficult economic conditions have declined, the previous rapid growth in consulting and the logic of turning advice into action are clear. What is less clear is how effectively consultancies will manage the cultural change that is demanded of them, particularly in a context in which greater service integration demands a larger spectrum of skills and management control.

3. The Issues for Professional Services Vendors

There has been, and to some extent there still is, a tendency on the part of professional services vendors to overestimate the importance of their own role in the IT activity spectrum. As the possessors of the skills that actually make the computer systems do what their customers want them to do, they have dominated the computing services infrastructure (and particularly the trade associations), and tended to undervalue the contribution made by other service functions such as maintenance, systems and operations support. They have also taken the attitude that the equipment vendors need the software specialists more than they do the vendors, and therefore underestimate the threat that system vendors represent in the services sector.

It is perhaps not surprising that those professional services vendors, which have not developed strong niche skills, are the ones that have borne the brunt of the market difficulties over the last two years. Furthermore, those that have built strong bases in ongoing support activities have weathered the industry slowdown better.

For professional services vendors, the move towards open support may represent a threat to their very survival as a distinct service category. Like the consultancies, they have cultural barriers to overcome if they are to move from a project to a service-based philosophy. Like the independent maintenance companies, failure to extend their competence could isolate them to the role of subcontractors to the supply and outsourcing principals. Like the equipment vendors, they have yet to convince their customer base that they are the right people to advise on business rather than technology issues.

Many of the major European professional services vendors have already been acquired by equipment vendors, telecommunications companies and SO vendors. The rationale was based on the need for application skills and the synergy and growth that could be created by bringing technology and applications expertise together.

Results to date are disappointing. A hands-off management approach has meant that the acquired companies have tended to go on doing what they have always done and that the desired synergy is elusive. Growing impatience may result in a much closer binding of the professional services vendors into the parent's supply chain with the loss of independent identity or redisposal.

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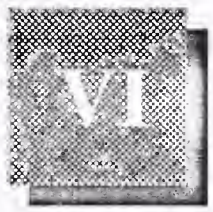


Winning Strategies in Open Support

A
The Market for Open Support

As open and networked systems continue their inexorable penetration of IT and business activities, the nature of demand for support services is going to change. Four variants are possible:

- High integration + high customisation (largely in the corporate marketplace)
- High integration + low customisation ('wrapped' support packages)
- Low integration + high customisation (niche solutions)
- Low integration + low customisation ('pick and mix').

These variants are illustrated in the four quadrants of the diagram shown in Exhibit VI-1

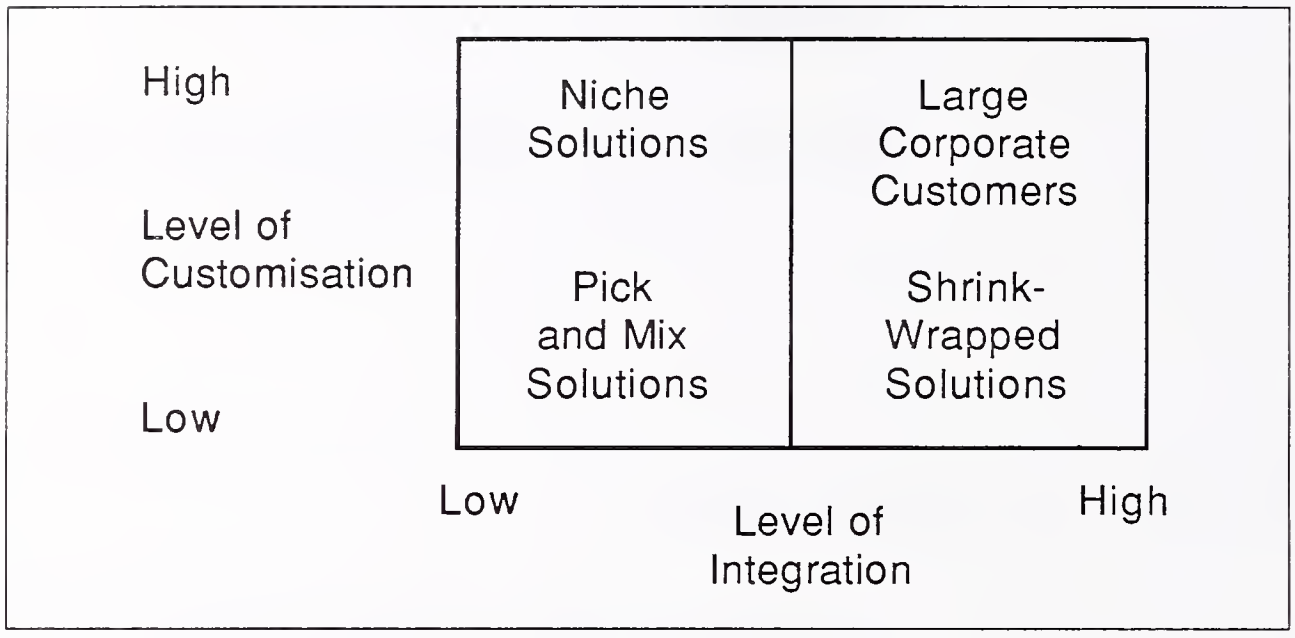
At present, the IT services marketplace is largely concentrated in the top left (niche solutions) quadrant, but there is a clear expectation on the part of service vendors that the market is moving into variants one and two.

In this chapter, INPUT gives its view on the key elements of the strategies that will bring success in open support.

The first requirement in open support service development is to have access to, or be willing to build a strong spread of services around the service life cycle (see Exhibit V-1).

EXHIBIT VI-1

Support Service Demand Matrix



A clear common factor among strong services companies is that they offer services addressing all segments of the service life cycle and are particularly strong in implementation and support.

For those companies unable or unwilling to develop a broad spread of services, the key lies in forming strong relationships with other suppliers so that demands for service integration can be met.

B
Competitive Positioning and Pricing

It is striking that IBM and other system vendors would all be regarded as relatively high-priced suppliers. The key issue in positioning, therefore, is not providing the cheapest solution, but the one that supplies greatest value to the customer.

For many customers, value in open support will lie in the degree of transparency with which services are provided, whether in the highly customised or 'shrink-wrapped' environments. If low cost solutions simply mean that much of the work of service integration remains with the customer, long term relationships are unlikely to be formed.

The pricing of integrated services needs to be more than simply the accumulation of the different service elements, with volume discounts included. There is no reason why pricing mechanisms that take into account cost and performance improvements should not be used.

Suppliers also need to be clear about the presentation of their services. The development of distinctly branded service products is clearly appropriate in

those marketplaces where a low degree of customisation is required. In highly customised environments, packaging services used to increase sales force understanding is risky, especially if what is presented to the customer appears inappropriate to their needs.

C
Channel Management

One of the crucial issues in developing a broader service capability is ensuring that this works with, rather than against, the flow toward integrated services. Adding lumps of service capability that can continue to operate as entirely separate entities is to expand capacity in the low-integration quadrants (as described above in Exhibit VI-1) rather than moving the supplier up the integration axis.

Probably the most difficult task faced by many suppliers is developing complementary sales, management and delivery channels for their services. Forming a number of autonomous service units increases market orientation, financial accountability and the barriers to internal trade. Yet burdening existing sales channels with an ever broader spread of offerings is likely to dilute their effectiveness.

There is no one 'right' solution. However, what is clear is that whatever structure is selected, there must be well-understood mechanisms for ensuring and measuring the effectiveness of service integration.

D
Managing Cultural Differences

Bringing together services from different parts of the services life cycle means bringing together different cultures: some are product focussed, others project focused; some customer focussed, others contract focused.

Putting together culturally dissimilar groups of people, and then just expecting them to get on with it is unlikely to produce the desired result.

It is striking that the companies picked out as likely winners are all perceived to have a distinct company culture that overrides the different subcultures of their component parts. These cultures are not always regarded as the most attractive, particularly by competitor work forces, but that they exist and they are effective is not in doubt.

Winning companies will pay close attention to cultural matters. They will ensure that cultural differences do not get in the way of achieving objectives, and they will use customer focus as the means for bringing different cultural groups together.

E
Creating the Right Image

Many IT suppliers feel that in order to secure opportunities for their development, their implementation and support services must be involved in high-level design activities and particularly business consulting. Yet almost universally they acknowledge that they have the wrong image for doing so, and it is interesting to note that of the successful SO vendors only Andersen and CSC have strong business consultancy capabilities.

Changing market perception is a long, slow haul. A better strategy might be to focus less on providing high-level management consulting services, and more on creating awareness in the real strengths of the company, especially if these are unashamedly technical.

Customers seeking to outsource IT because it is becoming too complex for them to manage want confirmation that their chosen suppliers are technically competent—not that they know how to run the customers' businesses better than they do themselves.

F
Service—A Means or an End?

A recurring theme is whether customers will trust the motives of the newer service players. For the equipment vendors, are services simply a means to draw in additional product sales, or are they an end in themselves? Are they simply a means of protecting their customer bases from competitive attack, or is this a real shift in business focus?

After ICL and Digital, IBM has probably been most aggressive in marketing its transformation from product to solutions supplier. Of course, the captive service revenues of IBM are huge, as are those of other major vendors, and the proof of the pudding will be revenue growth in those customers and service activities to which vendors have no privileged access.

Research shows that customers are much less concerned about the independence of their service suppliers than the established service players might wish them to be. The winners, therefore, will be those companies that are honest about their motivation, and whose behaviour to their customers matches the latter's expectations.

It is as tenable a stance to be an exemplary service provider on a narrow technology range as to be an across the board supplier—provided that revenue and profit expectations are set accordingly.

G
Who Will Win in Open Support?

INPUT concurs with the conclusion that the winners in open support are likely to come from the ranks of the equipment vendors and SO vendors. The former already have the spread of skills necessary to integrate hardware, software and network support—although not in the right numbers and in the right places. The latter are already addressing the issues of skills and service integration within the context of single contractual relationship.

However, the race is still open. There are numerous obstacles to be overcome along the way, and large parts of the market will continue to buy services on an as and when basis.

Failure will be the result of ignoring the fundamental shifts in the IT marketplace currently taking place. Success will be the result of understanding and responding to these shifts in ways that build upon existing strengths.

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