PROFESSIONAL SERVICES STRATEGY PROFILES

EUROPE 1992

INPUT

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EUROPE, 1992

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Abstract

This report contains profiles of the professional services activities of eight leading European service providers researched during the final quarter of 1992.

These comprise four equipment suppliers, Amdahl, Bull, ICL and Unisys, two independent maintenance companies, Granada Computer Services and Sorbus Europe and two broad range service suppliers, AT&T Istel and EDS-Scicon.

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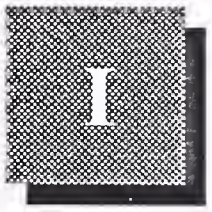


Introduction

A
Purpose and Scope

The current revolutionary IT environment, rocked by the forces of downsizing, outsourcing and open systems, is presenting particular challenges to service vendors. One manifestation is a high level of interest in the concept of open support services, a natural complement of the increasing market acceptance of open systems.

In response to this interest INPUT targeted leading services vendors in the final quarter of 1992 to research current responses to the provision of open support services. This report provides the profiles of the professional services strategies of eight leading service providers—four equipment suppliers, two independent maintenance organisations and two providers of an extensive range of computer related services.

A companion executive perspective report, *Open Systems Services—Challenges and Strategies—Europe 1992*, provides a discussion of the issues raised by the demand shift towards open system services.

B
Methodology

The professional services vendor profiles contained in this volume are based primarily on a series of in-depth, face-to-face interviews conducted with the vendor. All of these interviews were carried out during the last quarter of 1992.

C
Report Organisation

This report contains profiles on the following vendors, which can be found in Chapter III below, as follows:

- Equipment Manufacturers

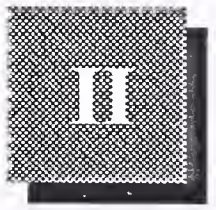
  - Section A Amdahl
  - Section B Bull
  - Section C ICL
  - Section D Unisys

- Independent Maintainers

  - Section E Granada Computer Services
    Section F Sorbus Europe

- Broad Range Services Providers

  - Section G AT&T Istel
  - Section H EDS-Scicon



Executive Overview

The major factors affecting user demand for services are:

- The increasing acceptance of open networked systems
- The trend towards outsourcing information systems
- The emerging dominance of application needs over specific IT requirements.

These are driving the demand for more comprehensive service offerings. 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.

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

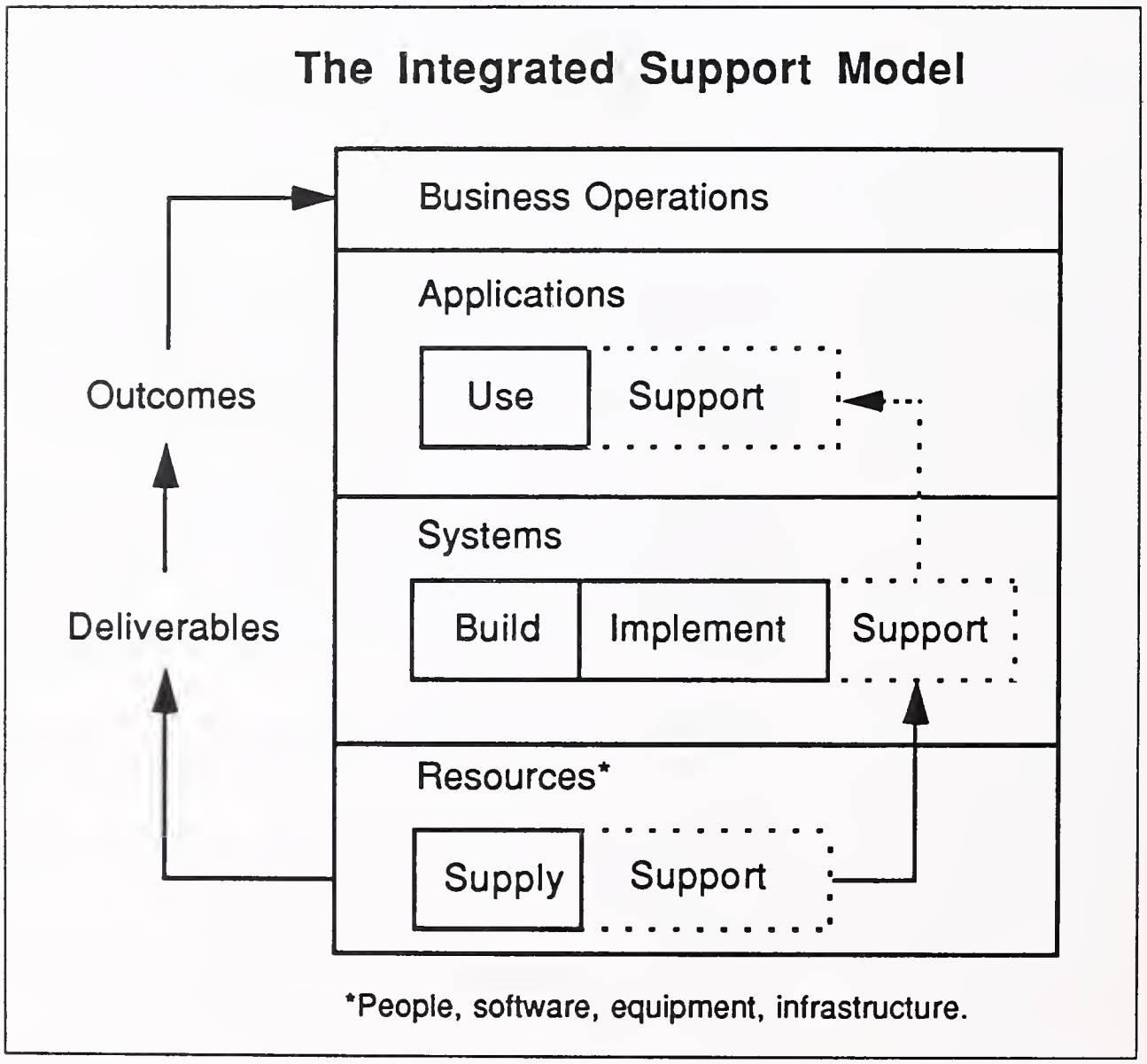
- Gaining an understanding of why users are demanding these types of services and what an open support capability is likely to comprise.
- Addressing the internal management culture challenge implied by the development of open support capabilities.
- Creating the competitive position and sales channels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

Open systems environments are typically multivendor, increasing technological complexity, and the likelihood that users are increasingly not IT specialists or IT trained leads to a requirement for an overall support capability.

Given that the user is not an IT specialist and is concerned principally with this 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 not the IT infrastructure. This need for a single point of support contact has been aided by the increasing acceptance of the idea of outsourcing information services functions.

Vendors have to adapt their thinking about services away from a product or system activity component basis towards that of a mere 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. This concept is 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, a principal motivation being the desire to access a greater proportion of the customer's total IT spend. The critical issue for vendors is thus not so much just adopting this posture (particularly just as a

marketing image) but in really building the integrated capability to deliver these more comprehensive service offerings.

An important step in achieving an open support capability is defining the services it is likely to comprise, which are listed in Exhibit II-2. Open support services encompass hardware, software and communications and must blend them to provide the client with a seamless service.

EXHIBIT II-2

The Extent of Open Support Services

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

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:

- Firstly, the need to assemble the required spectrum of open support services.
- Secondly, to create the appropriate organisation that can blend these different services and deliver then as a complete 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 range of services required will depend upon an appropriate organisational structure that ensures internal co-working and effective delivery to the customer.

Some of the principal organisational structures that can be considered, which are discussed in depth in the companion report to this report, are listed in Exhibit II-3.

The current report sets the context for the later volume by detailing the actual professional services activities of eight important vendors.

EXHIBIT II-3

Organisational Models for Open Systems Services

- Single sales channel
- Product and service
- Resource pool
- Multiple channel

Professional Services Profiles

A

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Founded in 1970, the Amdahl Corporation designs, manufactures, markets and maintains large-scale and high-performance general purpose computers for the IBM compatible and UNIX markets. It also provides complementary software, storage, communications and education products, and customer and professional services. Worldwide turnover in 1990 was $2.2 billion (Europe $756 million), with 8,200 employees. Major shareholders are Fujitsu (43.7%) and Equitable Life Assurance U.S. (9.5%).

1. Services Positioning

Amdahl provides a wide range of customer and professional services focussed on its two principal environments of the data centre and open systems. The process of service development started back in 1983 and has accelerated in pace since, to the point where Amdahl now aims to span the service spectrum. Nevertheless, non-maintenance services contributed only 2% of total revenues in 1990, compared with 16% for customer services and 82% for equipment sales.

Amdahl's range of service types is shown in Exhibit III-1.

EXHIBIT III-1

Services Provided

- Consultancy
- System support
- Data centre services
- Systems software services
- Configuration/capacity planning
- Application software development
- Education and training
- Contingency planning and disaster recovery
- Environmental services
- Systems integration
- Outsourcing

These services are firmly targeted at Amdahl's customer base and its prospects in the IBM and Hitachi large systems environment, with all services sold through the account management structure on a horizontal basis. Amdahl claims that services are developed in response to customer demand, but acknowledges the need both to support its own products and to take more of the services spend of its customers as hardware and maintenance revenues undergo proportionate decline.

2. Future Directions

Amdahl is putting substantial effort into training and supporting its sales and marketing personnel to promote service sales. Workshops, training, documentation, sales guides and internal magazines are all being used to increase salesforce awareness and understanding, and a substantial body of sales literature has been produced to help customers and sales personnel to define customer needs. Amdahl stresses, however, that despite the existence of a services information manual, it is not seeking to over

"productise" services and that all services are customised in delivery to particular customer requirements.

The principal areas of opportunity in services are deemed to be in making Amdahl products more effective in use, in providing customers with a fast return on investment, and further down the track in strategic business services. Amdahl acknowledges that this latter demands a shift from its account-centred approach to business towards greater vertical market understanding and specialisation. Its general aim is to provide services that help customers to get the best use out of IT rather than seeking to run their IT activities for them.

Amdahl believes that within its own marketplace, service growth will be constrained more by its ability to acquire appropriate skills than by any lack of demand from customers.

3. Strengths and Weaknesses

Amdahl believes its key strengths to be the customer focus and professionalism of its services personnel, which lead to consistently high levels of customer satisfaction. A willingness not only to advise but to implement is also seen as beneficial, and strong attention to quality management means that Amdahl is willing to guarantee service delivery.

Amdahl is loath to admit any weaknesses, but clearly is not strongly positioned to develop service capacity outside its customer and prospect base, or, despite its desire to develop strategic services, to move away from its strongly technical positioning.

4. Professional Services Provided

Amdahl has some 70 distinct service offerings under the systems support banner, and a further 30 defined as professional services. Exhibit III-2 shows some examples of services in the areas of platform operations or of applications.

EXHIBIT III-2

Representative Services

Data Centre Options	Consulting
Assessment and optimisation Capacity planning Device selection Configuration and set-up images Implementation Performance audit Workload migration Education	Problem and change management Operations review Capacity planning methodology Managing multiple systems Performance tuning Storage management planning Service level management Disaster recovery planning
Open Systems Services	Application Services
Performance tuning Implementation	Application design review Release management Huron implementation teams

5. Pricing

A range of pricing approaches is followed, including fixed price per service module, fixed price per assignment, and time and materials depending upon the nature of the service provided and the degree of customisation required.

Premium rates are sometimes charged for special services, but discounts are also available on a volume basis.

6. Organisation

Professional services are sold by the normal, account-based sales teams, and are delivered through the customer services organisation. Some 40% of customer services personnel are now engaged in systems support and professional services, with 60% providing engineering support.

There are now marketing personnel in each country of operation with a specific brief to develop professional services activities.

Professional services revenues are monitored separately from customer services revenues before consolidation.

7. Resourcing

Amdahl's preference is to resource services activities internally through a programme of retraining coupled with some recruitment. Partnering and

sub-contracting do take place to meet project-specific or short-term skills needs, but acquisition is not a route normally pursued.

Despite its strong commitment to retraining, Amdahl has still found it necessary to reduce staff numbers by 9% to maintain profitability.

8. Competitive Positioning

Amdahl's principal competitor is IBM, followed by other hardware vendors such as Hitachi. Some competition is experienced from consultancies, systems houses and professional services companies in services, particularly in areas such as disaster recovery planning.

Against this competition Amdahl sees its principal defence being its customer focus, the quality of its service offering, and its willingness to guarantee results. Amdahl describes itself as "not competition focussed at all".

9. Amdahl's View on the Marketplace

Perhaps surprisingly for a company whose business is largely based on the concept of the data centre, Amdahl views the move towards distributed and multivendor computing environments as creating opportunities for it to take its skills in problem determination and linking open and proprietary systems into the broader non-data centre and non-IBM marketplace. It also believes that the threat to large systems suppliers from "downsizing" has been overstated, given that its base is in organisations whose business demands high processing volumes.

It sees technology developments of all kinds as positive, since increasing technological complexity drives users towards professional services and particularly outsourcing-based solutions. However, Amdahl sees business change, and particularly the need for greater competitiveness, as a more potent driving force for its customers than technology change.

10. INPUT's Assessment

By focussing its services upon its customer and prospect base, and upon improving their technical exploitation of IT, Amdahl avoids the need to convince a skeptical world that it has undergone some metamorphosis from systems to solutions to services supplier. It is quite possible to believe that it will increase its share of the services spend in those areas, such as performance management and systems migration, where vendor independence is not a virtue. The question remains, however, of whether Amdahl's overall market positioning, including its move into UNIX, is sufficient to restore the levels of growth it has enjoyed in the past.

Although Amdahl has devoted considerable energy to defining and promoting its service offerings internally and externally, its principal base is in sophisticated IT users perhaps not best suited to a "catalogue" sell. At the end of the day, it is not drawing upon a large services resource pool and customers will know this. Focus on skills rather than large volumes of service products might be more appropriate.

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Bull Information Systems Limited is the U.K. subsidiary of Groupe Bull, the major European computer manufacturer and information processing equipment and services supplier largely owned by the French government. After very heavy losses in 1990, Groupe Bull developed a Transformation Plan designed to restore it to profitability which involves massive restructuring and accelerated product development. The impact of this plan has seen staff numbers in the U.K. fall from 4,000 to 1,800, with 600 job losses coming from the closure of Bull's U.K. manufacturing plant.

1. Positioning

Bull is positioned as a full range equipment and services supplier. The Transformation Plan focuses upon three strategic directions: Bull's long-standing commitment to distributed and open information systems (particularly in the desktop and mid-range areas); the development of solutions combining hardware, software and services; and the establishment of cooperative agreements with other companies. A major initiative is the creation of Systems Integration Business Units (SIUs) in its principal markets, including the U.K. These will provide a focus for the company's network and technical systems integration skills. The U.K. SIU is already generating revenues of $50 million.

Historically, professional services activity in the U.K. has been fragmented across product lines. Bull has now adopted a three-way matrix in which market-facing sales and marketing units are supported by service delivery streams, which buy resource from functional (and P & L) resource groups. Exhibit III-3 illustrates the principle.

EXHIBIT III-3

Professional Services Matrix

Sales and Marketing Business Units	Service Delivery Streams	Resource Units
Public sector	Systems integration	Consulting
Private sector	Facilities management	S/W services
Open systems	Desktop services	Maintenance
PCs		Products cabling

It is the responsibility of the individual account manager to access and manage resources on the customer's behalf.

Bull Information Systems Limited is using a life-cycle model to position its services "upstream" and "downstream" of systems installation, as shown in Exhibit III-4

EXHIBIT III-4

Services Model

Upstream Services	Downstream Services
Business and IT consultancy	Implementation
Planning and design	Support and maintenance
Development	Operations

Where Bull cannot supply skills from within its own resource pools, it will procure these for the customer on an agency basis.

Bull's service offerings are principally targeted at its customer and prospect base, but each line of business is free to pursue other opportunities provided that these are profitable and do not detract from core activities.

2. Future Directions

Bull intends to develop its service activities under the three delivery streams mentioned above: systems integration, facilities management and desktop services. Its facilities management capability will be strengthened shortly by the announcement of a partnership with an existing outsourcing supplier.

Bull is also analysing the gaps in its service offerings and developing plans to fill these.

In its proprietary environments, Bull is packaging its services into portfolios of consultancy, training and support under brand names such as Gold Service and Platinum Service. These packages allow customers to draw freely upon these services up to a previously agreed ceiling. In its open environments, by contrast, Bull is offering its services on a fully unbundled basis because demand here is much more akin to that in the small systems market where services are bought on a demand basis.

Bull believes that it is open and networked environments that present the best opportunity for it to develop its service activities outside its own customer and prospect base. For example, in the United States the Systems Integration Unit is trading independently under a separate name.

3. Strengths and Weaknesses

Bull sees as its key strength the quality of its relationship with its customers and its recognised technical skills in its key technologies, which means that Bull is the natural provider of added value services to its own base. For example, only a tiny proportion of maintenance of Bull equipment is carried out by third parties, and the closer to the machine the services provided, the stronger Bull's position becomes.

An additional strength is Bull's willingness to develop and retrain its own resources to match shifts in customer demand.

By contrast, Bull feels exposed in areas such as outsourcing where users have not traditionally sought support from the equipment supplier. With about half its U.K. business in the public sector, Bull is conscious that outsourcing must be tackled proactively and not defensively—hence the partnership arrangement shortly to be announced.

Bull acknowledges that the "upstream" part of its services model, and particularly business level consulting, will also prove harder to crack.

4. Professional Services Provided

Exhibit III-5 lists Bull's professional services as mapped onto the system life-cycle phases.

EXHIBIT III-5

Professional Services Provided

Business and IT consultancy • Business and IT strategy reviews • Effectiveness reviews • Requirements definition • Seminars and workshops
Planning and design • Bid and project management • Strategic use of technology • Requirements analysis • Product/application/database/network design • ITT production • Product evaluation/selection • Implementation programme direction
Development • Product specification • Solution scoping • Product/system/application development • Prototyping • Systems integration • Testing and documentation
Implementation • Migration services • Pre-shipment testing • Installation and configuration • Site standards and procedures • Training
Support and maintenance • Hardware maintenance • Software support—operating and applications • "How to use" services
Operation • Systems management • Systems operation • Performance monitoring and optimisation • Operational review—IT and business

5. Pricing

Services are typically priced on a fixed price per service module or fixed price per assignment basis, with services becoming more firmly priced the closer to the machine they get. Discounts are available on a volume basis or through service packages such as the Gold and Platinum schemes discussed above. Premium rates apply to specialised services.

6. Organisation

Exhibit III-3 shows the overall matrix structure of the professional services units. Each of the resource-based lines of business has its own sales and marketing budget and can buy support from the services marketing team. Services sales are presently through the normal, vertically oriented sales channels, although Bull is considering dedicated service sales activity as services volumes build up.

Customer service engineers are also tasked with identifying service sales opportunities as a way of supporting their own cost base and with delivering services such as equipment installation and basic training.

Professional services revenues are monitored at line of business (LOB) level.

7. Resourcing

Given the sharp reduction in personnel that has taken place, recruitment is used only for the graduate entry programme and as a means to acquire key skills. The principal focus within the Customer Services Division is on retraining staff to meet changed service demands.

Some subcontracting takes place, and partnering is practised on a project-by-project basis as well as on major initiatives such as that on outsourcing. Two small acquisitions have been made in recent months.

8. Competitive Positioning

Competition in the professional services area comes principally from services suppliers and from the in-house activities of Bull's customers' own IT teams. Competition from other hardware vendors is less common, because most are concentrating their services activities upon their own customer base. In areas such as maintenance, Bull experiences some competition from the independent maintenance companies in non-proprietary areas and from its own former employees. Bull feels most exposed to competition in areas such as education and training where barriers to entry are low and alternative suppliers plentiful.

Competitiveness is based upon differentiation by value, and through focussing upon specific technology areas such as networking and open systems. Bull is now also prepared to show much greater flexibility in responding to customer demands and competitive pressures.

9. Bull's View on the Marketplace

Bull believes that it is vital to be involved in the provision of networked systems and networking services, because control of the network gives much greater insight into the whole installation. Bull anticipates greater competition from telecoms suppliers in future on the basis of this rationale. It is keen therefore to develop real differentiation in the networked systems area, through the development of remote services delivered through the network such as help desks, disaster recovery, subscription services and even remote outsourcing.

Open systems of course now underlie Bull's whole market ethos, and it is hoped that this banner will provide the platform through which Bull's service offerings can be transferred to the broader marketplace.

10. INPUT's Assessment

Bull has experienced even greater restructuring than many of its competitors, and has achieved commensurately higher productivity gains. The decision to create profit and loss-based resource units and to use unbundled pricing mechanisms, particularly in the desktop and UNIX areas, means that the old cross-subsidies are disappearing and a more competitive services activity is emerging.

By separating its service delivery channels from ownership of the resources, Bull is able to be more flexible in responding to the varying demands of its customers, and through the Systems Integration Units is addressing the question of how to bring together culturally distinct hardware and software support activities.

The question Bull has yet to prove it has the answer to is whether it can use its focus on networked and open systems to move out of the niche position it has tended to occupy in, for example, local and central government application areas, into the broader general systems marketplace and thence into services.

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ICL Plc

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ICL Plc has some 21,000 employees and operates in over 70 countries worldwide. 80% owned by Fujitsu, ICL specialises in the provision of integrated business solutions to meet the information technology needs of specific markets, principally retailing, manufacturing, financial services and public administration.

ICL's corporate objectives are to increase turnover and market share, principally within Europe, through a policy of acquisitions, mergers and joint ventures. Outside Europe, local ICL operations are increasingly being merged with those of Fujitsu under the Fujitsu banner.

ICL is strongly committed to open systems and particularly open systems networking. In the forefront of OSI from its inception, ICL was instrumental in the establishment of both UNIX International and X/Open, and has participated enthusiastically in standards setting activities.

Despite its European ambitions, the bulk of ICL's revenues continue to come from the U.K. and it is in the U.K. that the bulk of its service development activity is taking place. Total European service revenues in 1991 were almost $1.3 billion, of which $790 million came from hardware maintenance.

1. Positioning

ICL (U.K.) claims to be the U.K.'s largest IT services provider, with service revenues in 1991 estimated at $765 million. Of this, $430 million come from hardware maintenance, leaving a balance of $335 million for professional services. There are two principal outlets for these:

- Customer Service Division (CSD)
- Associated Services Division (ASD).

However, the industry-related sales and marketing divisions also provide software development and support services, for example, in vertical market sectors. ICL (U.K.) also has separate subsidiaries providing facilities management (CFM) and disaster recovery (Guardian). Sorbus Europe, ICL's 51% owned 'joint venture' with Bell Atlantic in multivendor

maintenance, reports to ICL at board level, but with direct links with ICL Customer Service at the operating country level.

ICL's Market Strategy for the U.K. is outlined in Exhibit III-6.

EXHIBIT III-6

ICL (U.K.) Market Strategy

To supply:		
Commodity Products	Industry Solutions	Cross Industry Services
Delivered through:		
Technology plc	Industry Divisions	ASD, CSD, CFM Guardian

Cross-industry services include business consultancy, process engineering, design, development, implementation, support and operations, with Associated Services Division (AID) largely active 'upstream' of implementation, Customer Service Division (CSD) active in implementation and support, and CFM and Guardian in operations. Exhibit III-7 shows the activities of ASD.

EXHIBIT III-7

Associated Services Division Activities

Consultancy and Technical Services	- Consultancy (technical and IT exploitation) - Project services - Network services - CPS (remote development and documentation)
Peritas Limited	- Education and training
Workplace Technology Limited	- Environmental services
ICL Secure Systems	- Systems integration and secure UNIX
CHOTS Project	- Government project
Far East Operations	- Airline systems
LITS Project	- Logistics (bid stage)
Business Operations	- Service activity start-ups

ICL's CSD defines its professional services as 'non-remedial' services that support a customer in developing, operating/managing, improving the productivity of, and migrating to and from information systems.

By contrast with ASD, which claims that its services are not hardware vendor-oriented, CSD positions its services relative to specific hardware and software platforms such as VME and UNIX, and up to the generic application level. It does not address customer-specific applications. CSD, in common with Bull and an increasing number of other systems vendors, positions its services relative to the systems life-cycle embracing consulting, design, implementation and maintenance.

Within Europe professional services activities are principally focussed on consulting and systems integration (SI). There is a separately identified service entity, ICL Europe Services.

2. Future Directions

ICL's future strategy is to firmly position itself as a major force in the European software and services market. In its own words it is aiming to become one of the top five vendors in this market. As a member of the

Fujitsu 'family' of companies, ICL is working to implement the Fujitsu policy which is to benefit from the globalisation of today's markets. In the first instance ICL is concentrating on increasing its penetration of the European market.

To further its objectives, ICL is pursuing a two-pronged strategy:

- Use services to draw in equipment sales,
- Use equipment sales to draw in services.

This approach is based on spanning the service and technology spectrum by setting up, acquiring, or spinning off service activities based on quasi-autonomous limited companies which can acquire and/or partner in their turn. These units are expected to report in to ICL on a board to shareholder basis. Their services portfolios are targeted at both ICL and non-ICL users.

Extensive market research has been conducted by both ASD and CSD to establish market needs by service area, vertical sector and platform. Acknowledging that hardware maintenance revenues are now in year-on-year decline, CSD particularly is seeking to provide full support at user level, including generic and customer-specific applications, for the PC and UNIX environments. It also promotes the concept of providing a Total Managed Service within multivendor environments by drawing in experience from elsewhere in ICL and from Sorbus. Its research has, however, also shown that customers like to be able to buy professional services on an 'as and when' basis, and that it is necessary to provide unbundled component level services as well as service and systems management packages.

A key element in ICL's strategy is open services, i.e., services that can be applied across multivendor networks and can be specific to one or more proprietary components of an open network while at the same time enhancing the 'openness' of the overall solution. The concept extends to the design and construction—within the framework of an open services architecture—of a renewable and updateable portfolio of services that can provide service across a heterogeneous network of systems in a building block fashion.

In this way ICL hopes and plans to extend its services user base away from its own hardware sites and into the sites largely 'owned' by its competitors. The building block method implies the productising of individual services as building block modules. These modules may be specific to one or more platforms (hardware or software) and may be integrated using the standard interface of the architecture to provide seamless service in heterogeneous network situations. ICL would not claim to have achieved this objective yet, but it has clearly identified this set of goals to itself and has put in place an ongoing development programme to bring on stream in a timely manner all the service products its target market sectors will be requiring in future.

As with a number of other customer service organisations interviewed, CSD is investing in technologies that will allow it to provide a greater range of remote support services. It is also willing to act as a services broker, pulling services from outside the ICL group if this is the best way to meet customer need.

3. Strengths and Weaknesses

ICL perceives as its key strengths the breadth and longevity of its service offerings, which have given it a substantial track record and strong skills base across the service spectrum. Its knowledge of and commitment to open and networked systems, and particularly UNIX, is seen as key to its future growth out of its own proprietary base, since each new UNIX shipment is seen as an opportunity to extend its service as well as equipment sales.

Its principal difficulty is perceived to be changing its image from that of an equipment to that of a solutions and services supplier. It was this difficulty (which it shares with the other systems vendors) that brought about the demise of IT Partners, its foray into business consulting. Again in common with other equipment vendors, ICL still feels exposed to competition in this area. ICL also acknowledges that it will need to work on getting its sales channels for services right, and on obtaining the right delivery skills mix as it moves into the non-ICL marketplace.

4. Professional Services Provided

Through its various service delivery mechanisms ICL provides a full range of services including:

- Consultancy (largely technical but including quality and change management)
- Network and computer operations
- Systems software services
- Configuration and capacity planning
- Network design and management
- Software development
- Resourcing services (including the outsourcing of recruitment and personnel activities)
- Education and training

- Contingency planning and disaster recovery services
- Environmental services (including both design and health and safety activities)
- Systems integration (at the technical integration and systems integration level)
- Documentation
- Multimedia services

The service delivery structure for ASD was given in Exhibit III-7 above. That for CSD is as follows in Exhibit III-8.

EXHIBIT III-8

Customer Service Division Professional Service Matrix

Platform	Services
VME UNIX DOS Networks Office systems Relational products Teamware Security Open Foundation Architecture Integration Health and safety	Start-up Remote support Software: • Install • Upgrade • Update • Support • Develop Systems: • Review • Tuning • Administration • Design • Planning • Migration • Transition Help desks Documentation Project management Workshops

By adopting a matrix approach—in which any service can be marketed for any platform—CSD is able to promote specific packages of services for different environments, for example CAREWARE services for PCs, Networking Services, OFFICEPOWER services, UNIX Server services, INGRES services, Total Managed Service, etc.

5. Pricing

Services such as training and some aspects of systems maintenance are priced on a module basis. Fixed price per assignment is becoming the preferred form of pricing, with the emphasis on added value in delivering a pre-agreed result. Discounting is used on a volume basis, and some services may be discounted if sold on the back of others within service packages.

6. Organisation

As this profile shows there is no single distinct professional services unit within ICL, although it is planned to give the professional services provided within CSD a more distinct identity.

At present, service sales are channelled through the principal vertically-oriented sales organisation, with individual account managers responsible for scoping and resourcing the service needs of their customers. It is acknowledged that issues such as targeting and reward must be addressed if the traditional bias towards systems sales is to be corrected. CSD also work through the Account Support Managers, who map on to the account sales teams on a post-sales basis.

There are plans to identify distinct service sales specialists within CSD and the various businesses within ASD to work with and independently of the main sales channel, particularly on winning business outside the ICL base.

There is a service marketing function within CSD and marketing activity within each of the main businesses within ASD. CSD is currently running a major services campaign based on the systems lifecycle concept and the grouping of services by technology platform.

7. Resourcing

Partnering and acquisition are the principal mechanisms being used by both ASD and CSD to extend their service skills. CSD, for example, has a Preferred Service Partners programme, and also runs a service accreditation scheme for external suppliers.

Training is being used to promote the services message internally, to provide new skills, and to address some of the cultural issues faced by ICL. Recruitment and subcontracting are used as appropriate to resource specific skills.

8. Competitive Positioning

ICL sees its growth in services coming as much from the outsourcing of activities previously done in-house as from taking market share from competitors. It acknowledges however that its principal direct competition is likely to come from systems houses and professional service companies. Other hardware vendors are not perceived as major competitors, and dealers and distributors are seen as potential partners. Low-level attrition from a range of small, niche companies is recognised.

Competitive differentiation is based upon ICL's clear understanding of relevant technologies such as the UNIX and PC environments, the breadth of its service offering lending 'strength in diversity', and its ability to integrate its different service streams within a single customer environment (as in the CHOTS project). Its 'arms-length' approach to its service businesses is also seen as giving these different units greater flexibility in responding to changing market conditions.

9. ICL's View on the Marketplace

ICL sees its principal service opportunities as being in the areas of systems integration and management, secure systems, services related to optimising systems performance and environmental services. For ICL, its focus upon open environments has increased its competitiveness, and UNIX is the area that is now providing the engine for revenue growth. It therefore sees the increased penetration of open and networked systems as a major opportunity by creating demand for new, and more integrated, services, and by providing the means by which greater service productivity using remote techniques can be delivered. Its Open Framework Services group within Product Operations is working with both CSD and Sorbus in this area.

Other technology developments seen as impacting ICL's future business are client/server computing, improved storage and chip technologies, and developments in CASE and Artificial Intelligence, all of which are being actively worked on.

10. INPUT's Assessment

ICL has decided to tackle the impasse on how to break out of its own user base by adopting an aggressive acquisition and partnering strategy based upon open systems and open services. It is spending a great deal of time and effort positioning itself as a services supplier. By trading under a variety of non-ICL company names (Technology plc, Peritas, CFM, Guardian, Workplace Technology, Sorbus, etc.) ICL is seeking to weaken the link in the mind of the market-place with its systems supply activities.

The dilemma ICL faces is that its own sales channels and many of its existing workforce are finding it hard to keep pace with the rate of

transition. Opening up a lot of new sales channels enlarges the market opportunity but is likely to create confusion in its corporate customer and prospect base. Branding services and segmenting their supply makes it easier for both sales personnel and customers to find their way around the services portfolio, but makes the process of service integration that much harder.

At a tactical level, service integration becomes harder still since the need to meet revenue targets makes competition between service activities as likely as cooperation, and issues such as inter-company trading are barriers to co-working.

However, ICL's stance is offensive rather than defensive, and its commitment to open systems and the concept of open support is not an add-on. If it can get the sales and delivery mechanisms as clear as the concept, ICL could outperform the rest of its competitors, as it has already done in terms of profitability during the past decade.

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Unisys Europe Africa (Unisys) operates subsidiaries in 14 European countries and does business in some 35 countries in the Eastern Mediterranean, the Middle East, Africa, and Central and Eastern Europe through distributors, agents and joint ventures. Unisys' 1991 revenue amounted to some $2.5 billion, with software and services contributing around 55% of the total. Within the software and services revenues, Customer Service contributed $750 million and Professional Services $250 million, with the balance coming from software products, turnkey systems and the Complex Systems Organisation, a pan-European resource group able to tackle large systems integration projects, chiefly within multivendor environments.

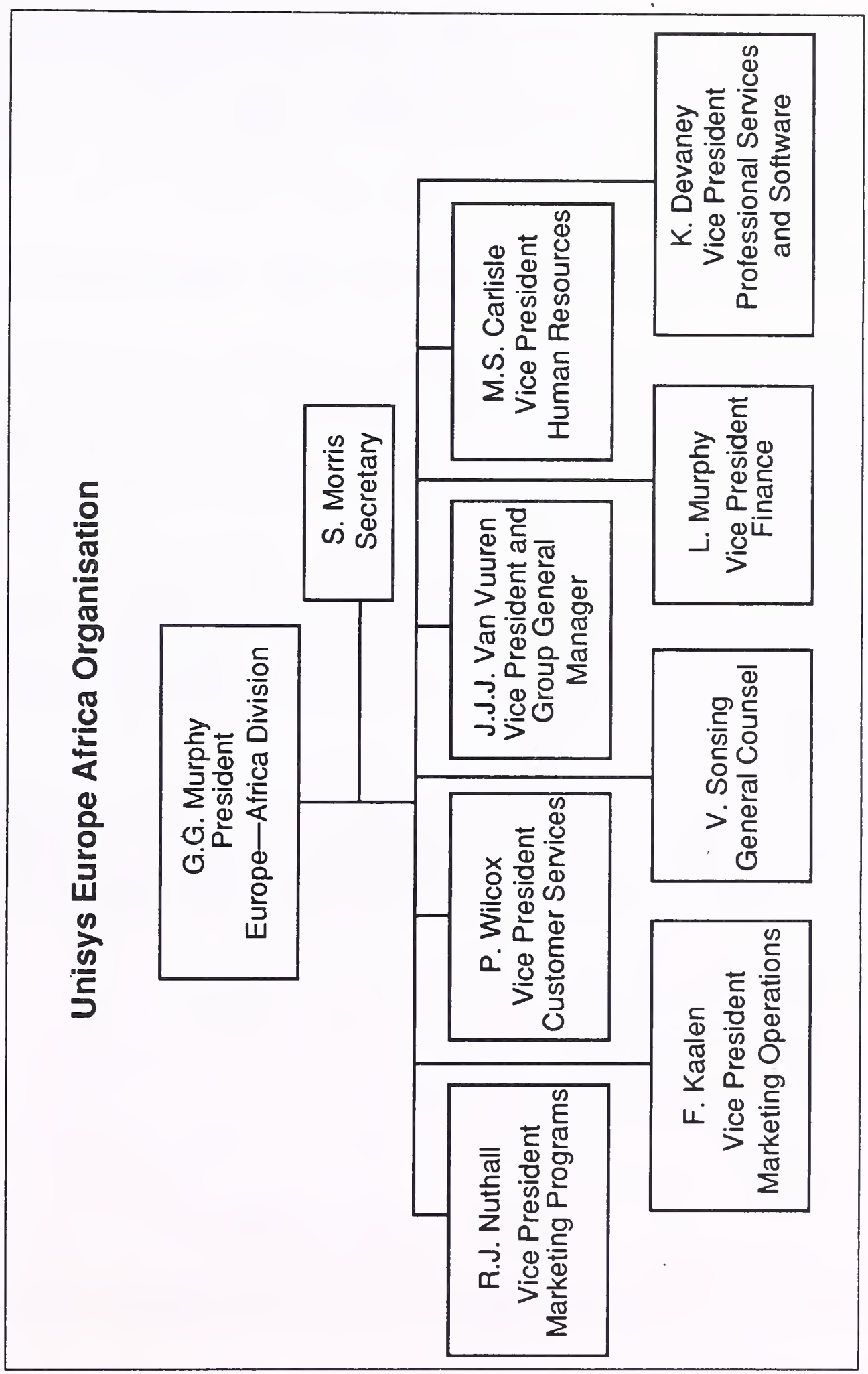
Exhibit III-9 shows the current Unisys organisation chart for Europe Africa.

The parent Unisys Corporation, formed from the merging of Burroughs and Sperry Univac to make what is now the world's 6th largest computer systems vendor, has suffered four years of virtually flat revenues and two years of substantial losses. Drastic restructuring returned it to profitability in the 4th quarter of 1991, but with the loss of 20% of its workforce, which is now some 60,000 worldwide.

1. Positioning

Unisys positions itself as a worldwide manufacturer and distributor of computer-based networked information solutions including systems, software and related services. It specialises in providing mission-critical solutions, based on open information networks, for organisations that operate in transaction-intensive environments, such as banks, insurance companies, airlines, telephone companies, government agencies and other commercial enterprises with high-volume distribution activities. Its product range spans mainframes to workstations, linked by a high level of interoperability, and its approach to the market is strongly vertically oriented.

EXHIBIT III-9



Unisys Europe Africa has adopted a strongly branded approach to marketing its services under the Totality banner, with the tag line 'Comprehensive Service to Make IT More Effective'. Services are principally focussed upon Unisys' customer and prospect base, and are spread between the customer service and professional services functions.

2. Future Directions

Unisys' stated objectives are to be a solutions company, applying information technology skills to solve information management problems:

- To focus on dynamic technologies for information intensive industries within an open systems environment.
- To build partnerships with organisations with specific skills such as business level consulting or chip technologies.
- To go on increasing levels of quality and customer satisfaction.

It intends to continue operating principally in its strongly established vertical market sectors, rather than seeking to increase its appeal across the board. To date Unisys has built up its service portfolio by increasing the number of service lines it offers; the aim now is to increase the depth of its expertise and resource.

Unisys believes that its principal services opportunities are in outsourcing and systems integration. A business consulting capability is considered necessary to support its services objectives, and alliances such as those recently announced with KPMG Peat Marwick and Coopers & Lybrand are designed to address any customer-perceived weakness in this area.

3. Strengths and Weaknesses

Unisys sees its strengths as being in:

- Its breadth of service offering
- Its track record in niche markets and complex systems integration
- Its worldwide presence which is vital to its customer base in, for example, international finance or the airlines.

It aims to be viewed as a stable, broad-based information systems partner for the future.

Weaknesses are perceived to be:

- The difficulty of shedding its image as an equipment rather than solutions vendor

- The time and effort involved in training its salesforce to sell solutions and services rather than products.

It is acknowledged that the intensive Totality marketing programme is as much internally as externally targetted.

The high level of technical interoperability between its systems is regarded as a strength, but more effort is needed to ensure that customers understand the benefits derived from this.

The following services are provided:

- Delivered through Customer Services:
  - A La Carte - systems support
  - A La Carte Open - multivendor support
  - Integra - environmental services
  - Supply Plus - consumables
  - Connect - networking services
  - Installation service
  - Sitestream - multisite installation and management
  - Disaster recovery

- Delivered through Professional Services:
  - Information systems consultancy
  - Enterprise - IT planning
  - Education
  - Application solutions
  - Systems Integration Services through Complex Systems Organisation
  - Project management
  - Ambassador - software support
  - Availability - performance monitoring and enhancement
  - Documentation services
  - Bureau services
  - Outsourcing
  - Unisys Direct - user catalogue

Considerable energy has been devoted to internal training programmes designed to create awareness of the services marketplace, inculcate a service culture and familiarise all staff with the Totality portfolio.

4. Pricing

Service modules from, for example, the A La Carte systems support programme are supplied on a fixed price basis, but project activities are priced on both a fixed price per assignment, and time and materials bases. Discounts are given based on volumes and contract duration.

5. Organisation

As described above in the Unisys organisation chart (see Exhibit III-9) the structure makes Customer Service and Professional Services Divisions within the Europe Africa Division and at operating country level, each responsible for delivering services that reflect its distinct skills. All services are, however, jointly marketed through the vertically oriented line of business sales teams.

In 1993, a new horizontally oriented matrix is being introduced to improve the application of specialist support consultants to customer problems at the level of products and service elements. The impact of this extra layer on the sales force involves a split into special selling organisations (SSOs).

6. Resourcing

While strong emphasis is placed upon retraining to extend the skills of the Customer and Professional Service teams, some recruitment and/or sub-contracting takes place to acquire key skills. Partnering figures strongly in Unisys' service strategy, but acquisition does not.

7. Competitive Positioning

Unisys sees its principal competition coming from other equipment vendors, and the professional services vendors. Competition from the independent maintenance companies is only acknowledged at the lower end of the outsourcing market.

Unisys feels that its large proprietary systems base is secure because of its continued focus on high transaction systems, but feels more exposed to competition in the mid range.

Competitive differentiation is based upon clear targetting by vertical sector and individual customer, and upon clear exposition of its service capability through the Totality programme, which it is felt will be important in changing customer perceptions.

8. Unisys' View on the Marketplace

Unisys sees the increasing penetration of networked and open systems as enlarging the market within which it can operate, since it is having to develop a more genuinely multivendor stance, and skills and expertise that have application beyond its own product range. It has therefore the opportunity to increase its share of the IT spend of its customers and enlarge its prospect base.

Technology developments such as storage and image technologies, client server computing, and object-oriented techniques in relation to network management will all impact Unisys' business and create opportunities for new product and service lines.

9. INPUT's Assessment

Unisys has devoted considerable energies to defining and branding its service offerings, using the Totality name to emphasise both breadth and integration. What is less clear is how well-researched the demand for these services is within its customer and prospect base.

There is also a risk with a large portfolio of branded services that a salesforce traditionally focussed upon selling products will attempt a 'catalogue' approach to service selling, rather than the consultative approach favoured by the professional services suppliers.

The continuing distinction between the infrastructure-related services provided by the Customer Service Divisions and the software applications services provided by Professional Services is a strength and a potential weakness—a strength because both will want to increase their revenues, and a weakness if this prevents service integration.

Unisys appears to be overcoming a number of obstacles to progress, including the disparate product lines inherited from the Burroughs/Univac merger, and stagnation or decline in key markets such as financial services, the airlines and defence. It has a clear strategy for the future, but must get its selling right if it is going to prosper in the services sector.

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Over 90% of Granada Computer Services International's revenues of some $300 million is derived from Europe, and nearly half from the U.K. Of the company's 2,750 staff, 2,500 are based in Europe. Owned by the Granada Group plc, a U.K.-based service group with interests in television, television rental, travel and leisure services, Granada Computer Services was formed by an aggressive acquisition programme spanning the period 1985 to 1989. Profitability has been achieved by substantial restructuring, but revenues have remained stubbornly flat for the last three years, with growth in some markets balanced by revenue declines in others.

1. Positioning

Granada Computer Services claims to be the largest independent computer maintenance organisation in Europe—a claim also made by Sorbus Europe despite its lower revenues. About 90% of revenues currently derive from hardware maintenance, with the balance made up from disaster recovery services and systems sales through its VAR subsidiary. Over half of Granada's maintenance revenues comes with the provision of on-site and/or continuous services to large multivendor systems users, with the balance coming from on-call or workshop-based repair services. Granada's sales activity is targeted at the corporate marketplace and at volume and networked PC environments, whether addressed through the equipment supplier or the end user. Most major hardware platforms are supported, but with the principal focus on IBM and Digital.

Granada has always provided certain added-value services such as installation and commissioning, disaster recovery, performance monitoring and enhancement, network management, help desk services and computer brokerage, but is now seeking to expand its support capability to include hardware, software and networks.

2. Future Directions

Granada recognises that the overall decline in the hardware maintenance market, coupled with the growing multivendor maintenance capability of the systems vendors, means that it must enlarge its own target markets and compete with the vendors' bundled service offerings by providing support

for a larger proportion of the total systems environment, up to but not including the applications platform.

Granada has coined the term systems availability management (SAM) to describe this concept. Exhibit III-10 summarises the possible components of SAM and relates them to INPUT's customer services sectors. It has also developed total availability management (TAM), which includes everything except direct application support. This latter depends, however, upon partnering with an established professional services supplier with application development and maintenance skills. Although discussions with potential partners are underway, these have yet to bear fruit.

EXHIBIT III-10

Components of Systems Availability Management

Granada SAM Component	INPUT Sector
Hardware maintenance	Hardware service
Software maintenance	System software support (fault diagnosis and resolution)
Network design	Professional service
Network installation	Environmental services
Network monitoring and maintenance	System software support
Complexity management	Professional services
Change management	Environmental services (systems migration and relocation)
Systems performance Monitoring and enhancement	System software support or professional services

Granada stresses that its systems software services do not involve direct maintenance of proprietary software products, but are concerned with the effective interaction of all forms of operating software.

Granada has started to address its past weakness in software skills by recruiting personnel with expertise in operating systems technology, network configuration, operations management and installation management. Ten have been taken on to date, with plans to recruit up to sixty more over the next year.

The principal areas of opportunity are perceived to be:

- Installation management in complex, multivendor environments
- Systems integration (at the operating not application level)
- Open systems migration and prototyping.

Granada acknowledges that it may be easier to promote the SAM concept to prospective rather than existing hardware maintenance customers, whose image of Granada does not include such all embracing support.

3. Strengths and Weaknesses

Granada Computer Services perceives its key strengths to be its size, its independence, its multivendor capability, its international presence and the backing of the Granada Group. So far as the SAM initiative is concerned, strengths include the clarity and marketability of the concept, and the skills of the individuals brought in to drive it.

The greatest weakness Granada has to overcome is its lack of track record outside hardware maintenance, and it aims to address this by majoring on the skills and experience of the personnel brought in to drive this activity.

4. Professional Services

To address the professional services opportunity area, Granada has embarked on a development initiative in which the following services are defined:

- Consultancy on IT infrastructures
- Network and computer operations
- Systems software services
- Configuration/capacity planning
- Network administration
- Operational systems integration
- Installation management

Granada also has plans to develop other networking and open systems services, and to provide a technical support outsourcing service. The professional services capability is being developed in the U.K. and will be targeted at IBM and Digital users. Other countries and platforms will be supported on a progressive basis.

One of the first services to be launched is FUSION, a subscription service which entitles licence holders:

- To access Granada's Customer Support Centre for advice and remote fault resolution

- To tap in to the Information Exchange, an information database and electronic conference call facility running on the GEIS worldwide network
- To participate in workshop and seminar programmes
- To undergo an annual IT installation review.

5. Pricing

Granada uses a pricing model to establish a contract value based on the service parameters required. Granada does not overtly seek to compete on price with the equipment vendors, but can often better prices based on item by item calculation. FUSION is available on payment of a licence fee which reflects the complexity of the customer's IT infrastructure. FUSION licence holders are entitled to a 20% discount on normal engineering hourly rates.

6. Organisation

Granada's professional services are being marketed through its normal sales channels which include sales teams focussed on major accounts, the smaller account base, and new business. A professional services sales manager has been taken on to ensure that the sales teams understand the opportunity and services being offered, and to manage sales support activity. Professional services are being delivered through the newly recruited software services team, and the results are being monitored independently from maintenance revenues.

7. Resourcing

Granada is recruiting systems software and installation management specialists to drive its professional services activity. Partnering is being explored in areas such as applications support, and further acquisition remains a possibility.

8. Competitive Positioning

In the area of professional services, Granada sees its principal competition coming from the hardware vendors, systems houses, professional services companies and consultancies. Competitive differentiators are perceived to be:

- Granada's long-standing experience of multivendor environments.
- Its real vendor independence.
- The quality of personnel it is proving able to attract.

The greatest difficulty it must overcome is its branding as a third-party hardware maintenance company. It must also learn how to wean customers

away from their existing suppliers through the quality of the services offered as well as on price.

9. Granada's View on the Marketplace

Granada sees the complementary trends towards increased technological complexity and outsourcing-based service solutions as areas of opportunity. In a market where very few companies really understand how to make networked and open systems effective and secure, Granada believes that it can be fleeter of foot in developing new service solutions than can either the equipment suppliers or the traditional professional services companies. It is not concerned that outsourcing and facilities management may put it at one remove from the end user, because it sees the outsourcers themselves as viable targets for its services, being already a substantial provider of hardware maintenance to them.

The software and systems skills to do this are new to Granada and have yet to prove themselves in the field, but Granada is demonstrating its willingness to invest in these areas. Key issues for Granada are understanding the changing support needs of its customers and prospects, keeping ahead of its customers on technology developments in open systems, client/server computing, and storage technologies, and competing successfully by providing better value for money.

10. INPUT's Assessment

Although substantial growth in hardware maintenance remains possible in markets such as Germany and Spain, where users are now starting to see the benefits brought by independent suppliers, Granada is right to recognise that it cannot rely upon hardware maintenance alone to generate desired levels of growth.

The problems Granada faces in developing a broader services base are twofold. Firstly, by establishing critical mass in the maintenance area Granada both opened up the market for independent maintenance and attracted the wrath of the hardware vendors. It has been subjected to fierce competition from vendors and other independents ever since, limiting its own capacity for growth. There is no reason to believe that in seeking to trespass further into areas traditionally supplied by the vendors, often on a bundled service basis, it will not attract similar retaliation.

Secondly, the development of systems and software skills demands a change of sales and operating culture within Granada, which may prove difficult. There is a clear vision from the top, but as Granada's history shows, it has often proved difficult to drive this down through the organisation. The great opportunity for Granada is in providing seamless infrastructure support—it would be a great shame if its own culture prevented it from doing so.

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Originally the European arm of Sorbus, Inc. of the U.S., the world's largest provider of independent maintenance services, Sorbus Europe was acquired along with its parent by Bell Atlantic in 1985 to form part of Bell Atlantic Business Systems Services. In 1991 a "joint venture" was established between Bell Atlantic Business Systems, Inc. and ICL (in which ICL in fact owns 51%), embracing the European operations of Bell Atlantic, and, thus, Sorbus Europe.

Sorbus Europe currently has annual revenues of $100 million, some 1,100 personnel (of whom 800+ are engineers), 50+ locations, and more than 4,000 customers. Growth has accelerated since the ICL/Bell joint venture to 35% in 1991 and a forecast 40% in 1992. New operating units have been established in Finland and the Netherlands this year. Principal European markets are the U.K., France and Germany.

1. Positioning

Sorbus Europe positions itself as the largest independent pan-European service organisation—a position no doubt disputed by Granada Computer Services International, and one which is less tenable now given the majority shareholding of ICL. Sorbus Europe claims however that its "arms-length" relationship with ICL has not affected its independent stance except in the eyes of some of its OEM customers.

Hardware maintenance services are provided on a range of system types from PCs to mainframes, but are principally focussed upon IBM and Digital and a series of support contracts for OEM PC suppliers and distributors. Sorbus also supports point of sale networks for major retailers such as Marks & Spencer in the U.K. Sorbus has made significant progress in the IBM mainframe market by targeting IBM 3090 sites in the U.K., Germany and France, and recently helped Bell Atlantic to win a contract to support the Westpac IBM data centre in Australia. It is also targets non-ICL equipment in the ICL user base reciprocally with ICL's Customer Service Organisation.

Sorbus Europe is seeking to reduce its dependence upon the declining hardware maintenance market, and to increase the proportion of revenue derived from other services such as consultancy and software and network support. Maintenance revenues have fallen from 95% of the total in 1990, to 85% in 1991, and are set to fall by a similar amount in 1992.

2. Future Directions

A major thrust for Sorbus will be the extension of its existing remote diagnostic and support capabilities into the fields of software and network support. Bell Atlantic and ICL are both partners in an alliance also involving Hewlett-Packard, Microsoft and Sun set up to promote the development of international standards for service and support information in distributed and open computing environments. Known as DSIS (Distributed Support Information Standards Group), the group promotes non-proprietary information standards for computers, operating systems, applications and users, designed to facilitate monitoring and remedial activities in mixed system environments.

In addition to DSIS, Sorbus has been increasing its own competence in the areas of operating and applications software, and systems integration through the development of marketing agreements and strategic alliances. Over 50 such relationships have been put in place in Europe in the last year.

Sorbus Europe also plans to use partnering to extend its offerings in the areas of disaster recovery, education and training, and facilities management. Recognising the levels of investment implicit in these, relationships with established suppliers are being sought.

3. Strengths and Weaknesses

Sorbus Europe perceives its key strength to be its relationships with Bell Atlantic and ICL, which give it access to R & D capability in the field of technology convergence (voice, data and image) and to a substantial systems support infrastructure in the case of Bell Atlantic, and to UNIX and open systems knowledge in the case of ICL. Its perceived vendor independence and strong focus on formal quality approaches are also important.

Acknowledged areas of weakness are a lack of consulting skills at the business and process design level, and a real breadth of networking understanding and capability outside specific user configurations. These are being addressed through the DSIS and partnering initiatives discussed above.

A portfolio of services is provided as follows:

- Environmental planning and preparation
- Equipment selection advice

- Pre-delivery inspection and installation
- Maintenance
- Help desk provision
- Asset management and management information
- Disaster recovery
- Network management
- LAN and WAN support
- Structured cabling
- Wire management
- Manufacturer support
- 4th party repairs
- Warehousing
- Manufacturer pre-delivery inspection
- Installation

4. Pricing

The principal method of pricing is to establish a fixed contract value based on service parameters, although other pricing approaches will be brought into play where market conditions dictate.

5. Organisation

Sorbus Europe is organised on a country basis, with local operating, sales and workshop capability. Professional services are being sold largely through the normal salesforce, although four senior sales personnel have been taken on to spearhead the growth required in non-maintenance services. Delivery of professional services is through the normal operating units, but the financial performance of such services is monitored separately. There is a head office sales and marketing function focussed on market and opportunity analysis and the development of corporate marketing material.

6. Resourcing

The principal method of acquiring new skills and expertise is through partnering with other organisations, or through acquisition.

7. Competitive Positioning

Sorbus Europe sees its principal competition as it moves forward as coming from organisations such as Andersen Consulting and CGS, and from the hardware vendors, rather than from the other independent maintenance companies. Competition is intense in the maintenance of PCs, desktops and low-end networks, in which even existing contracts are having to be discounted in order to retain them.

The principal competitive differentiators for Sorbus Europe are:

- Use of technology to provide remote support capability
- Marketing agreements and alliances extend skills base
- Access to Bell Atlantic and ICL R & D
- Focus on quality standards

8. Sorbus's View on the Marketplace

Sorbus Europe sees a general trend in which investment in people is steadily eroded in favour of investment in systems. It believes that the increasing penetration of networked and open systems represents a major opportunity for companies able to develop appropriate and cost effective remote support capabilities embracing hardware, software and networks. Open systems in particular are likely to force the breakdown of the technical and commercial barriers that have made independent maintenance in some proprietary environments uneconomic.

Sorbus Europe recognises that it must find new sources of revenue and means of improving margins on maintenance services if it is to thrive in a market in which overall hardware maintenance spend is in decline. Its strategy is based on extending geographic cover and service capability, whilst exploiting technology to leverage productivity and profitability.

9. INPUT's Assessment

It seems ironic that, given ICL's majority shareholding, a lot of Sorbus Europe's current growth is coming from IBM data centres, where competitive attack is still firmly based on providing an equivalent level of service at a lower price.

Sorbus recognises, however, that such business is in effect in defiance of long term trends, where the task for support companies must be to build relatively seamless multivendor distributed support infrastructures with a high level of problem avoidance rather than remedial maintenance.

The problem for Sorbus Europe, and like competitors, is that moves towards outsourcing mean that its customer base will become less the end user and more the intermediate systems manager, who may be more concerned with minimising cost than maximising added value. High levels of speculative investment in support infrastructures may be necessary in order to deliver required productivity increases, and the service organisations may find themselves being squeezed by the outsourcers themselves.

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Originally the management services arm of the Rover Group, Istel was the subject of a management and employee buy-out in 1987 and of acquisition by AT&T, Inc. in 1989. Ambitious growth plans for Europe are aimed at increasing turnover from $425 million in 1992 to $2.5 billion by the end of the century, with growth split between organic growth and acquisitions. Exhibit III-11 illustrates the breakdowns of the company's revenue by sector and product group.

EXHIBIT III-11

AT&T Istel Revenue Splits

Market Breakdown 1991 (percent)		Product Breakdown 1991 (percent)	
Rover	23	Computer applications:	
Cross-industry	18	Processing	29
Manufacturing	17	VADS	26
Finance and retail	17	General systems	23
Health	14	Systems and consulting	22
Travel	7		
Other automotive	3		

Note: Because of rounding, numbers do not add to 100%.

Recent purchases in Europe to support this growth include:

- QA Business Services
- Impcon Solutions
- Daton Systems
- Chorus Software—all in the U.K.
- Infoplan
- CAB—in Germany
- Dataid in France

A European Development Group was established in Brussels in 1991.

1. Positioning

AT&T Istel operates through a number of market-facing industry sector-oriented subsidiaries, aimed at process industries and health information services, which provide a range of products and services specific to the needs of that particular marketplace.

Products and services provided include software development, industry-specific software, networking products, systems integration, and project management. There is no doubt that AT&T Istel's key skills are in what is now called outsourcing—managing computer systems and networks on behalf of its customers through its own main processing centre in Redditch and its ten satellite sites.

Outsourcing services are divided into two main groups:

- Information processing
- Network services

Within the latter AT&T Istel distinguishes managed data network services and value-added data services. Some services, such as capacity planning and disaster recovery, are only provided for outsourcing customers but not on the open market.

AT&T Istel does not aspire to be a full-service supplier across all market sectors, preferring to focus its activities within its target markets and under the outsourcing umbrella. It has a clear ambition to understand and exploit technology developments on behalf of its customers, and to manage technological complexity for them through the integration of computing and communications services.

2. Future Directions

AT&T Istel believes that the increasing acceptance of the principle of outsourcing will fuel organic growth in its principal product and service areas. Acquisition, focussed initially on France and Germany, will continue to leverage its ambitious growth plans to become a major international company able to compete for large, cross-border contracts from multi-national corporations.

Access to technology through parent AT&T, co-subsidiaries such as NCR, the Bell Research Laboratories, and through AT&T investments such as Teradata, is key to AT&T Istel's future strategy. Corporate Strategy and Corporate Product Management Groups have been set up through which to channel knowledge and relationships. AT&T Istel's aim is to give its customers access to state of the art technologies earlier than they could do so for themselves, particularly in the areas of global networks, global messaging, high-tech data centres and access to open systems.

3. Strengths and Weaknesses

AT&T Istel perceives its key strengths to be its early entry into and track record within the facilities management (systems operations) marketplace, coupled with its strong vertical orientation. The backing of AT&T gives credence to its stance as a technology innovator, and its increasing presence in European and worldwide infrastructure services such as global messaging underpins its offerings to international companies. Other assets are seen to be its high level of investment in its own infrastructure, its vendor independence and its open systems skills, particularly in the area of proprietary-to-open systems migration.

Acknowledged areas of weakness are business consultancy and marketing. Business skills exist but would need to be packaged more effectively were AT&T Istel to develop this as a distinct service stream. Similarly, AT&T Istel's low profile outside the IT community is acknowledged, and steps are now being taken to strengthen corporate and product marketing activities.

4. Services Provided

The range of services provided is broad:

- Network Services
  - Infotrac data communications network
  - Transpoll credit card polling service
  - Travel agency electronic booking service
  - Insurer and broker network
  - Orderlink EDI service for manufacturing suppliers
  - Statim database of hospital waiting times
  - Accumaster managed data services including Accunet Packet Service
  - Easylink messaging services
  - Global network management centres

- Market-specific application software:
  - Hospital administration systems and automotive systems

- Outsourcing services embracing:
  - Applications processing
  - Facilities management services on all major hardware platforms
  - Service management covering hardware, software and personnel
  - Migration services
  - Total information systems management

- Computer simulation software for the manufacturing and defence sectors

- Computer-integrated manufacturing services

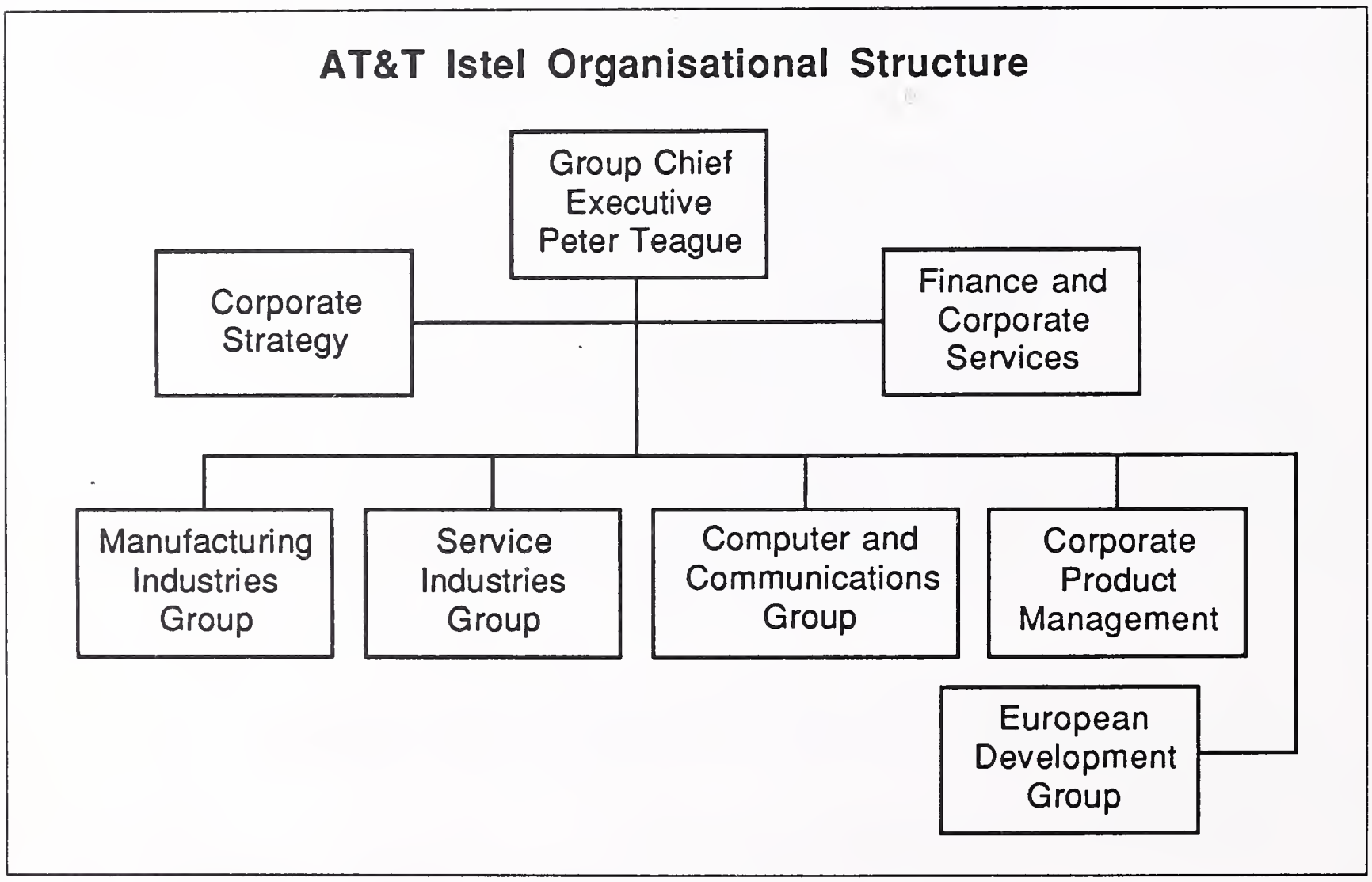
5. Pricing

Pricing is usually based on the assumption of a fixed price per service module, although outsourcing-related activities will include a flexible element to allow for increases and/or decreases in facilities usage. Discounts are given where processing flows can be managed to maximise system usage (e.g., in off peak periods).

6. Organisation

Exhibit III-12 contains the company's organisation chart.

EXHIBIT III-12



Sales and marketing activities are principally organised by vertical business, although there are dedicated sales personnel for the facilities management and network services business streams. A new corporate marketing director has recently been recruited to raise market awareness, and the corporate product marketing function is being strengthened.

Service delivery of outsourcing and network services is through the Computer and Communications Group, with customer revenues being attributed to the appropriate vertical market business.

7. Resourcing

AT&T Istel will recruit or partner when specialist skills such as business consulting are required. Other personnel are acquired either through outsourcing contracts that include the take-on of client staff, or through the current ambitious programme of company acquisitions. AT&T Istel has found it necessary to shed staff through redundancy in current market conditions. Sub-contractors are used, for example, to provide hardware maintenance services.

8. Competitive Positioning

AT&T Istel sees its principal competitors as being the international, long term players in the outsourcing marketplace such as IBM, Digital, EDS and CGS. Its competitive attack is based on access to and exploitation of technology, coupled with the heavyweight backing of AT&T and the strength of its vertical market expertise. AT&T Istel feels exposed to competition in markets where it has not yet developed such strong expertise, and in its lower market profile against competitors such as Hoskyns. Critical mass is seen as highly important and lies behind the drive for growth.

AT&T Istel believes that high added value will become a stronger differentiator than price in the markets in which it is competing, and is seeking to improve all aspects of its own performance through the 'Renaissance' project, a board-level driven programme designed to sharpen project, quality, account and product management.

9. AT&T Istel's View on the Marketplace

AT&T Istel sees trends such as downsizing and outsourcing as moving the market into its own court where it can provide computing and communications infrastructures. AT&T Istel is already testing itself in the open systems market by developing vertical market products and migrating customers onto them. It is not yet in a position to provide fully integrated open systems support services.

Other technology developments seen as likely to impact the demand for its services are:

- Client/server computing
- Improved storage technologies.

10. INPUT's Assessment

AT&T Istel's unashamed focus upon technology and infrastructure makes a refreshing change from the massed ranks of information services suppliers trying to break into boardroom consulting. Its tight focus upon niche markets and niche services, such as process manufacturing and networks, some of which have a high cost of entry means that AT&T Istel has been able to establish strong U.K. market shares without excessive competition in markets that have shown high levels of growth.

To move, however, from this relatively protected position into the international league at a time of increased competition from heavyweights such as IBM and CGS is going to prove challenging and demand substantial support from the AT&T family of businesses—some of whom, such as NCR, must surely also be potential competitors.

With a well-developed spectrum of operational services AT&T Istel is well-positioned to provide the more streamlined support services likely to be demanded by mid-size and corporate customers alike, provided that it can shake off its image of being a low-visibility organisation operating in the U.K. market only.

H
EDS-Scicon

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As the second largest European subsidiary of the $7 billion computer services company EDS owned by General Motors, EDS-Scicon contributed revenues of $294 million in 1991 and has some 4,200 employees. By fully integrating the former SD-Scicon during 1991-2, EDS now claims to be the largest supplier to the U.K.'s IT services market. EDS' own U.K. revenues were based on some 50 customers—through SD-Scicon this has now increased to more than 2,500.

1. Positioning

EDS-Scicon seeks to provide a continuum of services ranging from business planning consulting through systems development, systems integration and management to process management (described as the direction and operation of one or more business processes). Services can be offered either on a discrete or on an integrated basis.

However, EDS-Scicon's primary services are:

- Systems integration
- Systems management

Its preferred sales goal is systems management because of the longevity and predictability of the revenues involved, as well as the opportunity afforded by such contracts to form a close relationship with its clients. Systems management is defined by EDS as the ongoing management and operation of information technology components, and this embraces facilities, personnel and systems. Systems management services are provided at client sites and through EDS-Scicon's own International Processing Centres.

A number of services, such as network administration, configuration and capacity planning, contingency planning, and education and training, are not marketed as discrete service offerings but are available to systems management customers as integral components. EDS-Scicon appears to have no plans to move into direct infrastructure services such as hardware and network maintenance, building management or environmental services.

Where such services are demanded as part of a systems management contract, sub-contractors have been used. EDS-Scicon does supply certain proprietary software products, and it has marketing and VAR agreements with other suppliers, but these are principally to support the supply of services and are not market objectives in their own right.

2. Future Directions

EDS-Scicon is seeking to strengthen its profile in consulting, and particularly business consulting, through the creation of a European Business Consulting Group, but acknowledges that its strongly IT image may hinder it in this area. At the other end of the service spectrum, EDS-Scicon is seeking to transfer the skills learnt through systems management to other business processes within client organisations which may or may not be IT-related—an example would be management of the finance function.

A major objective of EDS-Scicon is to broaden its appeal to what it describes as information users rather than its traditional clientele of IT users. Information users are those organisations or parts of organisations that are heavily dependent upon information, however sourced and delivered, to perform their functions.

In terms of markets, EDS-Scicon sees its principal opportunities in the foreseeable future being in the public and communications sectors, followed by the utility and energy sectors. Despite Scicon's history, the defence and transport sectors are currently depressed as is the financial services marketplace. The most difficult sector at present is, not surprisingly, manufacturing.

3. Strengths and Weaknesses

EDS-Scicon perceives its key strengths to be the sheer size and stability of EDS worldwide, coupled with its extensive customer base and strong order book. A principal differentiator from other professional services companies is the high level of recurring revenues from long-term systems management contracts. These contracts also put EDS-Scicon in the unusual position of being able to influence the technical direction of systems vendors.

Although the marriage of EDS and Scicon in the U.K. has markedly accelerated the shift away from systems engineers towards service professionals (and increased the average age of the company), EDS-Scicon acknowledges that its knowledge of the business of its client sectors must be improved if it is to succeed in its push away from pure IT into strategic consulting and process management.

4. Professional Services Provided

The services provided within the EDS-Scicon "business continuum" are shown in Exhibit III-13.

EXHIBIT III-13

Services Provided by EDS-Scicon

<table>
<tr><td colspan="3">Consulting</td></tr>
<tr><td colspan="3">• Business planning
• Business process design
• Technology strategy and planning
• Change management</td></tr>
<tr><td>Development</td><td>Systems</td><td>Management Integration</td></tr>
<tr><td>• Functional specifications
• Applications</td><td>• Technology selection
• Interface creation
• Implementation</td><td>• Computing
• Communications
• Applications
• Data</td></tr>
<tr><td colspan="3">Process Management</td></tr>
<tr><td colspan="3">• Resources
• Integration
• Performance</td></tr>
</table>

5. Pricing

Services may be priced on a time and materials or fixed price per contract basis. Some contracts in the U.S. have been priced on a fixed firm base + a percentage of the return to the customer. EDS-Scicon is presently exploring the potential of this kind of arrangement in Europe, particularly in the public sector.

Explicit discounts are only given when EDS-Scicon is able to make processing facilities, for example, available to clients at lower rates during off-peak periods.

EDS-Scicon has resisted pressures to reduce prices in the tightened professional services marketplace, and taken steps to ensure that all business won is profitable.

6. Organisation

EDS-Scicon is divided into 6 vertical divisions:

- Manufacturing
- Public sector
- Communications and transport
- Defence
- Energy and utilities
- Financial services

Each division has its own salesforce and local marketing team. A central marketing team is responsible for ensuring consistency of key messages and presentation, and for providing an in-house market information service drawing upon internal and external intelligence sources.

Service delivery is also vertically organised, with operational staff working on client sites belonging to the appropriate division. Off-site services are provided by Technical Services Europe who run the International Processing Centres, and by Workstation Services, responsible for the provision of networks and PCs.

7. Resourcing

EDS-Scicon continues a policy of graduate recruitment (although numbers are lower than in the past) followed by career training and development. Industry skills are acquired through direct recruitment of experienced personnel. Acquisition (as of SD-Scicon) is used to leverage growth and to gain access to complementary markets. Sub-contracting is not favoured.

8. Competitive Positioning

EDS-Scicon sees the long-established professional services suppliers such as Logica, Sema and CGS-Hoskyns as its principal competitors, although it acknowledges that it is increasingly finding itself in competition with some of the larger hardware vendors on its home ground of systems integration and systems management.

The management consultancies represent a lesser threat, and EDS-Scicon does not perceive itself as being susceptible to attack by the smaller hardware and the software product suppliers or distributors, or by service suppliers such as the independent maintenance organisations.

Competitive differentiators that have led to a high success ratio in the current difficult market conditions are:

- Financial strength
- Broad customer base

- High referrals and repeat business
- Vertical market focus

Weak points in EDS-Scicon's competitive armour are:

- Its relatively high prices
- Its entrenched image as an exclusively IT supplier
- A tendency to be operationally rather than sales and marketing driven

9. View on the Marketplace

EDS-Scicon recognises the changes being brought about in the professional services marketplace by increased competition from the hardware vendors and traditional consultancies. It is concerned that the product portfolio approach to service provision being introduced by some of the hardware vendors will lead to increased commoditisation of services, and less focus on the added value approach which underpins EDS-Scicon's pricing philosophy.

The increasing penetration of open and networked systems is seen as creating demand for new skills rather than as an opportunity to develop new service offerings, although new CASE tools are being developed for EDS-Scicon's own use in the distributed systems area. EDS-Scicon points out that distributed systems under its management account for some eight times the processing power of its Information Processing Centres.

Other technology developments seen as likely to impact EDS-Scicon's services are client/server computing and object-oriented techniques in which some work is already being done.

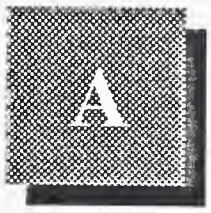
10. INPUT's Assessment

EDS-Scicon, with its focus upon systems integration and systems management, is well-positioned to respond to the demand for more integrated support services likely to result from the increasing number of networked and open systems. It is disappointing that at present it sees such developments as creating demand for new skills within existing service lines, rather than as opportunities to develop new service offerings.

It is also disappointing, although not surprising, to see EDS-Scicon pursuing the same well-worn expansion path into business consultancy and business function management that its professional services competitors have mostly sought to tread. It is our view that much of its success to date has come from real competence in managing large systems operations and systems integration projects at the systems engineering level, and that the possibilities of this approach are by no means exhausted.

The union with SD-Scicon has given EDS greater acceptance in key target markets such as the public sector, defence and transportation provided that it is able to price itself competitively. However, the large customer base it has also inherited from Scicon may prove to be something of a liability as well as an asset, since it is difficult to sustain margins across a wide spread of different contract sizes and types. Its focus upon large, long-term contracts, coupled with its high price/high value approach, means that it has not so far suffered the short-termism and project orientation that has so exposed some of the traditional professional services suppliers in current market conditions. On the other hand, it also means that it is unlikely to be the supplier of choice for anything other than the largest organisations, particularly if its fears about the commoditisation of services are realised and competition from non-traditional competitors such as dealers and distributors intensifies.

Since first drafting this profile, we have heard that EDS as a parent group has attracted the interest of BT, the U.K.'s principal telecommunications provider. BT is reported to have taken a minimum of 25% holding in the group's equity.



Professional Services Questionnaire

1. GENERAL

Q1 What is included in your company's definition of professional services? (Tick if mentioned)

Consultancy	_____
Network and computer operations	_____
System software services	_____
Configuration/capacity planning	_____
Network administration	_____
Software development	_____
Contract staff hire	_____
Education and training	_____
Contingency and disaster services	_____
Environmental services	_____
Systems integration	_____
Other	_____

Q2 What are your motivations for offering professional services? (Tick if mentioned and probe for relative priority)

Demand from customer base	_____
Desire to expand range of services	_____
Part of a portfolio of services	_____
Requirement to support products	_____
Need to find new sources of revenue	_____
Way to improve profitability	_____
Other	_____

Q3a What strategy are you adopting to market these services? (Tick if mentioned)

Offer total range of services _____
Offer specified service lines _____
Combination of above _____
Other _____

Q3b Do these relate to your own or to your own and other suppliers' products?

Q4 What steps have you taken to ensure your company's understanding of the professional services market place?

Q5a What do you perceive as the principal areas of opportunity for your company in professional services?

Q5b What will be the hardest and easiest parts of the market to penetrate?

Q6a What do you perceive as your key strengths in professional services and how do you intend to exploit these?

Q6b What marketing advantages do you expect to achieve as a result?

Q7 What do you perceive as your areas of weakness in professional services and how do you plan to address these?

Q8 What sales and marketing activities do you have in place to support your professional services activities?

2. OFFERINGS

Q9a What range of services are you offering?

1.
2.
3. etc.

Q9b Please supply data sheets for the most important services.

Q9c How many different services do you offer?

Q10a How do you price your professional services?
(Tick if mentioned)

Fixed price per service module _____
Fixed price per assignment _____
Time and materials _____
Other _____

Q10b Do you ever make use of

- Premium rates
- Discounts?

Q11 Which services contribute the most significant revenue and profit streams?

3. ORGANISATION

Q12 How are you currently resourcing or planning to resource your professional services activities? (Tick if mentioned)

From within by recruitment _____
From within by training _____
Through sub-contracting _____
Through partnering _____
Through acquisition _____
Other _____

Q13 What organisation structure have you adopted for professional services? (Tick if mentioned)

Professional services is a separate unit _____

Professional services are marketed and delivered through customer services _____

Professional services are marketed separately But delivered through customer services _____

Other (please specify) _____

Q14 How are performance reporting and financial monitoring organised? (Tick if mentioned)

Professional services monitored separately from customer services _____

Professional services combined with customer services _____

Other (please specify)

4. COMPETITION

Q15 Whom do you see as your most significant competitors? (Tick if mentioned)

Hardware vendors	_____
Dealers and distributors	_____
Systems houses	_____
Professional services companies	_____
Independent maintenance companies	_____
Consultancies	_____
Other	_____

Q16 What steps are you taking to differentiate your competitive positioning against your key competitors?

Q17a Where is competition affecting you most? (Tick if mentioned)

Particular service areas	_____
Pricing	_____
Positioning	_____
Superior marketing	_____
Other	_____

Q17b How are you countering these impacts?

5. IMPACT OF TECHNOLOGY

Q18 What impact is the increased use of networked systems having on your customer and professional services? (Tick if mentioned)

Demand for new/increased skills _____

Demand for new services _____

Opportunity to develop new services _____

Opportunity to develop new products (h/w, s/w, tools, etc.) _____

Great exposure to competitive products and services _____

Other _____

Q19 What impact is the increasing penetration of open systems having upon your customer and professional services? (Tick if mentioned)

Demand for new/increased skills _____

Demand for new services _____

Opportunity to develop new products and services _____

Greater exposure to competition _____

Other _____

Q20 What other technology developments do you expect to impact your customer and professional services offerings? (Tick if mentioned)

Client/Server computing _____
Improved storage technologies _____
Multimedia _____
Object-oriented techniques _____
Improved chip technologies _____
Other _____

SUMMARY

Q21 What do you regard as three top issues in professional services which you must focus on over the coming years?

(Blank)