

A Publication from INPUT's Systems Management Programme Europe

Systems Integration

One of the key driving forces in the systems integration market is the need for the client base to change systems in line with changing organisations. Currently, European business is undergoing unprecedented structural change. In the first quarter of 1990, 269 French companies with an approximate value of \$10 billion (U.S. dollars), and 370 companies in the U.K. with an approximate value of \$9.7 billion (U.S. dollars) were taken over. French companies spent nearly \$5 billion (U.S. dollars) to acquire 116 foreign concerns. France has now surpassed the U.K. in merger and acquisition activity, whose significance to software and services vendors is that all over Europe, users are facing a major restructuring, reorganisation, and re-evaluation of their systems.

Systems integration provides the ability to create a solution that integrates disparate environments. It has three key aspects—distinguishing it from other systems solution delivery modes—that make it an ideal response to the systems problems this restructuring creates:

- The multivendor nature of systems integration enables the appropriate technical skills to be applied to the systems. Typically, systems integration projects are complex, involving more than one technology.
- Systems integration is a custom solution that is integrated into the end-user environment.
- Systems integration vendors take management responsibility for the delivery of the system, usually at a fixed price with penalties for project overruns.

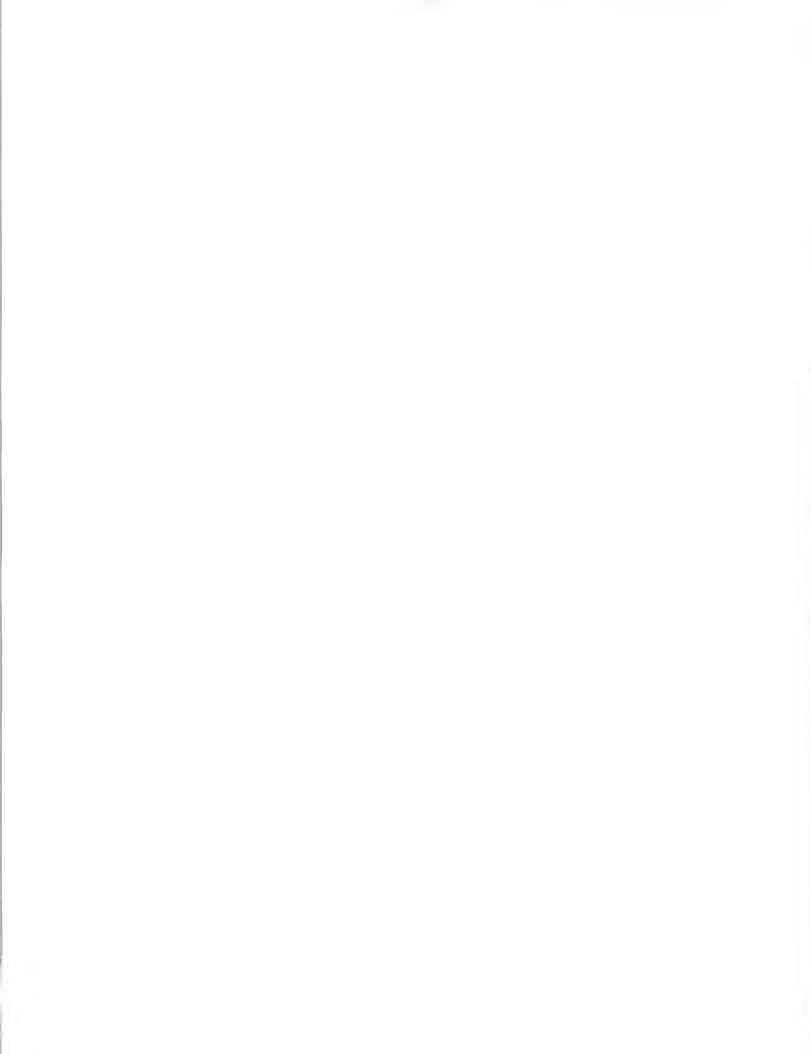
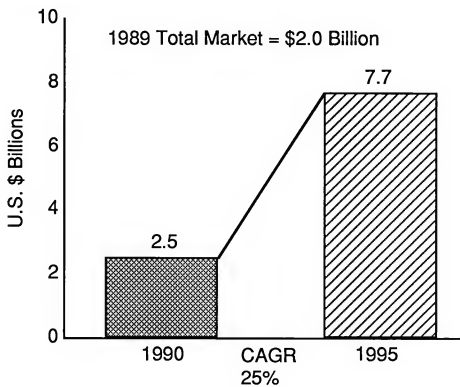
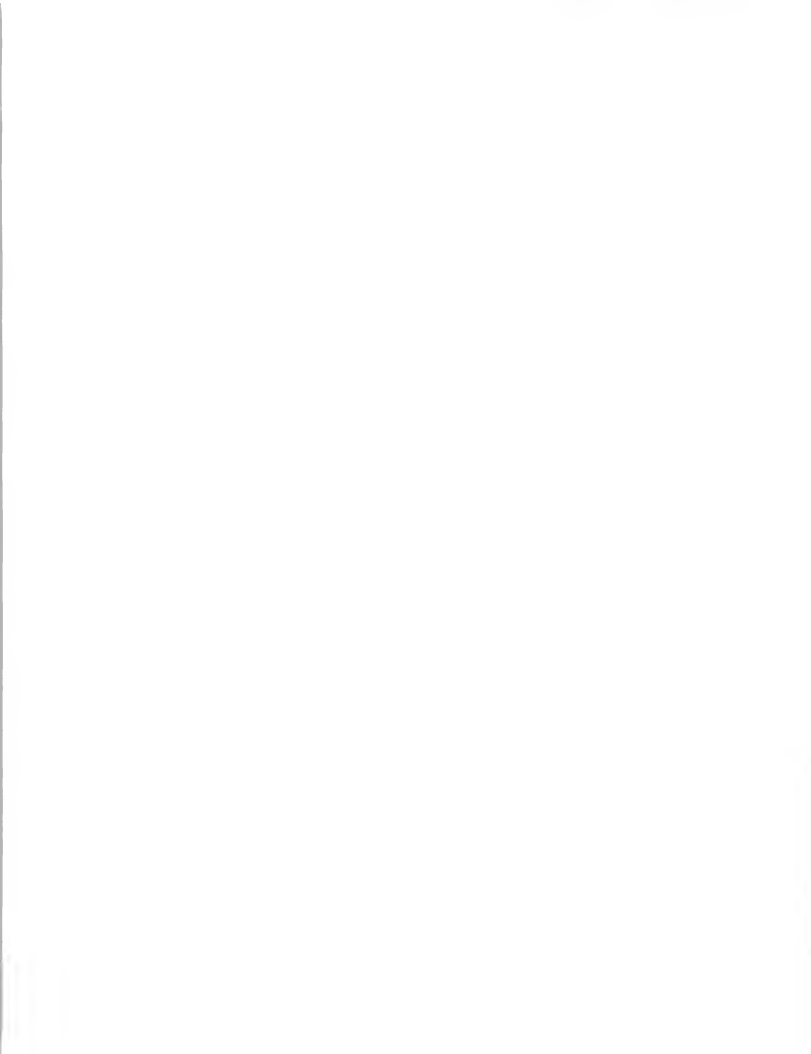


Exhibit 1

Western European Systems Integration Market 1990-1995



The projected growth for the systems integration market is shown in Exhibit 1.



System Integration Forecast Europe, 1990

Sub-Sector	1989	1990	1991	90-95 CAGR %	1995
Equipment	810	1,000	1,235	21	2,625
Professional Services	980	1,265	1,615	28	4,375
Software Products	125	155	195	26	490
Other Services	60	70	85	18	160
Total	1,975	2,490	3,130	25	7,650

Traditionally, systems development has been managed in-house, with the outside supplier providing only specific services and products. However, many in-house information systems departments are unable to keep pace with fast-changing technology, or to respond swiftly to the need for major systems changes. The appropriateness of systems integration as a response to these end-user needs is accentuated therefore by greater client

willingness to contract more management responsibility to their suppliers. This is reflected in Exhibit 2, which shows the projected growth for each subsector of the systems integration market.



Comparative Regional Market Sizes—Europe, 1990 Systems Integration

Region	1990 U.S. \$ Millions	Market Share %
United Kingdom	629	25.3
Germany	608	24.4
France	559	22.5
Italy	234	9.4
Benelux	187	7.5
Scandinavia & Finland	113	4.5
Switzerland & Austria	75	3.0
Spain	71	2.8
Others	15	0.6
Total (rounded)	2,490	100.0

Nearly three-quarters of the Western European market for systems integration is composed of the three major country markets of France, Germany, and the United Kingdom. Exhibit 3 shows the relative sizes of the regional markets within Western Europe.



Systems Integration Forecast—Europe, 1990 Local Currency

Country	Currency	1989	1990	1991	90-95 CAGR%	1995
Austria	Sch. M.	255	320	405	25	960
Belgium	BF. M.	2,550	3,170	3,960	23	8,800
Denmark	DK. M.	170	210	260	22	555
Finland	FM. M.	50	60	80	26	190
France	FF. M.	2,700	3,450	4,400	27	11,300
Germany	DM. M.	880	1,100	1,400	26	3,495
Italy	Lra. B.	240	310	400	27	1,020
Netherlands	DFl. M.	170	210	265	24	605
Norway	NK. M.	130	160	200	20	390
Spain	Ptas. M.	6,500	8,200	10,400	26	26,000
Sweden	SEK. M.	225	285	355	26	905
Switzerland	SF. M.	65	80	100	27	260
U.K.	£. M.	320	395	485	23	1,115
Rest of Europe	U.S.\$ M.	10	15	20	27	50
Europe	U.S.\$ M.	1,980	2,490	3,130	25	7,650

The forces of change are evident in all the country markets of Europe. Besides switching expenditure from internal resources to external resources, systems integration solutions will impact parts of the industry that have traditionally delivered systems solutions differently, such as processing services and standard turnkey systems. The forecasts for each of the country markets are presented in Exhibit 4 in local currency.

The leading vendor of systems integration in Western Europe is IBM; IBM specifically organized to address the systems integration opportunity in Western Europe as early as 1986. The size of their customer base and their capability to respond multinationally to large companies has resulted in their becoming the market leader in this rapidly developing sector.

Western Europe Vendor Revenues Systems Integration, 1989

Rank	Company Name	Revenues \$ Millions	Market Share %
1	IBM	205	10.3
2	Cap Gemini Sogeti	190	9.5
3	Andersen Consulting	165	8.3
4	Siemens	90	4.5
5=	SD-Scicon	75	3.8
5=	Sema	75	3.8
7=	Logica	70	3.5
9=	Unisys	70	3.5
9=	Bull	45	2.2
	Olivetti	45	2.2
	Others	970	48.5
	Total	2,000	100.0

Cap Gemini Sogeti have been expanding very aggressively, and have also built an extensive multinational representation, with the acquisition of Hoskyns in the U.K. being the most recent example. Their acquisition of SCS in Germany puts them hypothetically in the number one position, based upon 1989 revenues, and pushes SD-Scicon out of the top-ten ranking shown in

Exhibit 5. Similarly, based on 1989 revenue, the Sema acquisition of ADV/Orga in Germany, which also happened in 1990, would place them clearly in the fifth position.

This Research Bulletin is an excerpt from a full research report issued as part of INPUT's System Management Programme—Europe. If you have questions or comments on this bulletin or wish to purchase the report, please contact Peter Lines at INPUT, Piccadilly House, 33/37 Regent Street, London SW1Y 4NF, England. Tel. (071) 493 9335, Fax (071) 629 0179

