INPUT®
Research
Bulletin

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Developing an Open Support Culture

This article analyses another of the important implications for support services stemming from the growth of open and networked systems.

The Different IT Cultures

Creating an open support capability—which is the seamless supply of support services delivered directly to the user or to his end users, and embracing hardware, software and communications—demands a broad spread of skills. One of the challenges that service suppliers face in developing this kind of open support is the difficulty in bringing the various cultures together that these different skills may bring with them.

Support services have traditionally been segmented into those associated with hardware, software, systems development and operations, with users often employing a different supplying company for each type of service. These different origins have resulted in distinct business cultures, of which INPUT has identified three types:

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

Exhibit 1 illustrates the relationship of these cultures, and associates them with the system life-cycle concept.
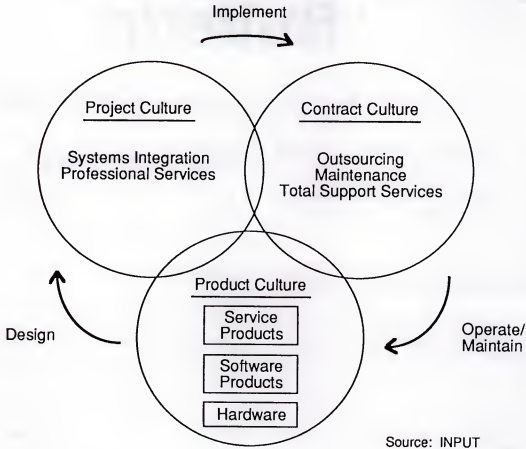
1. The Product Culture

The product culture is principally found in the equipment and software product vendors. The organisations' energies are focused upon developing products that meet and anticipate the needs of the marketplace, and the sales channel that is trained to interpret the needs of its customers and prospects in terms of the products available. In such companies, any services offered have typically been streamed behind the products, and priced relative to them. In their efforts to move more firmly into the services business, many equipment vendors have compiled 'product catalogues' for their portfolios of discrete services.

2. The Project Culture

This culture is largely the terrain of the consultancies, software houses and professional services companies, who are called in by clients to scope or to design and develop particular systems solutions. The company's resources and internal systems are therefore focused around the notion of the project, which is priced

Exhibit 1

Business Cultures in the Life Cycle

Implement

Project Culture

Systems Integration
Professional Services

Contract Culture

Outsourcing
Maintenance
Total Support Services

Product Culture

Service
Products

Software
Products

Hardware

Design

Operate/
Maintain

Source: INPUT

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

Strong analogues of this type of business can be found in the construction and defence industries. Key to profitability are the following:

• Early assessment (i.e. during the bid stage) of major risk areas

• Accurate impact assessments of ongoing client requests for changes to specification

3. The Contract Culture

The contract culture is typical of the third-party maintenance companies, the FM companies and their customer service divisions (in the case of the larger systems vendors). The services provided are defined by the contract under which they are supplied, and much energy is devoted to ensure that the contract boundaries are adhered to and well understood. Pricing is

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typically based upon an assessment of the resource levels needed to meet the terms of the contract, often with elaborate mechanisms for measuring variation around the pre-agreed norm. The concept of the contract as an aid to service delivery is often sold as heavily as the services themselves.

Of course, this is an oversimplification, and all these cultures can be represented simultaneously in a single organisation. For example, new business sales teams in all company types will tend to have a project culture regarding each new bid as a project in its own right. Account managers, conversely, tend to the contract culture regarding the relationship with the customer as an ongoing concern.

Account management is essentially management of the customer's perception of the service levels being received.

Key characteristics of each culture are the following:

- *Product:* Innovation through leading edge R&D; with selling through classical marketing techniques.

- *Project:* Project management and account management are the keys to profitability and continuing revenues respectively.

- *Contract:* Resource utilisation and niche marketing are the equivalent key success factors in this type of business culture.

Different Cultures can Clash

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

Predominant cultures also vary by country market. For example, in those European markets such as Spain and Greece where IT services are relatively poorly developed, a product culture tends to dominate suppliers and customers alike.

Looking at the different skills required in providing open support, it becomes apparent why culture can become a barrier to effective co-working. Exhibit 2 correlates different groups of professionals with their typical cultural background.

Open Support Demands Co-Working

However, open support demands that all three cultures have the following:

- Product skills that are vital in ensuring that the technical complexity implicit in open and networked systems remains transparent to the user.

- Project skills that are needed to ensure that systems evolve in line with changing customer needs.

- Contract skills that underpin the customer relationship and the achievement of agreed service levels.

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

Exhibit 2

Professionals and their Natural Cultures

Resource Groups	Typical Culture
Hardware Engineers	Product or Contract
Software Support	Product
Help Desk	Contract
Product Designers	Product
Systems Designers	Project
Software Teams	Project
Network Engineers	Product or Contract
Sales Teams	Project
Account Managers	Contract
Operations Managers	Contract

Source: INPUT

How Delivery Structure Impacts Open Support

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

Customer focus may be lacking and individual contracts will be just one of many serviced by the resource groups, with perhaps little

appreciation of the overall characteristics of each. This will be particularly marked if the resource groups are profit centres or individual companies.

If on the other hand, resources are brought together in the context of either individual contracts or to service groups of similar contracts, then the prospects for smooth integration of activities are improved. For example, a group of small software companies each supplying UNIX applications to IBM, work together to ensure that enhancement of one company's product does not adversely

impact another's. From the customer's perspective, these software products, although independently sourced, can be confidently integrated at the user level.

Open Support—Packaged or Customised?

The degree of service integration required varies by customer type:

- Large corporate organisations pursuing an outsourcing philosophy will seek to minimise the number of suppliers and maximise service management.

- Small to medium-sized companies will look for packaged solutions and packaged services that are heavily dependent upon remote support.

Therefore, these markets are likely to be for highly customised and 'shrink-wrapped' open-support services. Customised contracts will involve elements of the large project culture. Packaged services have the flavours of two cultures—are they products or standard contracts?

Tackling Cultural Issues Is Vital

It is easy to underestimate the effect that failing to tackle cultural differences can have. One well-known IT services company in the U.K. has two divisions: one providing systems design and development services, and the other providing third-party maintenance. Despite a marked decline in the company's performance in recent years, it has not been successful in bringing the two divisions together. Each continues to maintain separate sales channels, quite distinct customer bases, and to develop new service products in splendid isolation from each other. Attempts by the respective

management and marketing teams to work together fizzle out as soon as responsibility for action passes to the operational level. Yet this company owns many of the resources needed to provide open support—it is the company's own lack of will that is inhibiting any move towards accomplishing this.

The companies that recognise and address the cultural issues implicit in open and integrated support, that ensure that all their activities are focused on the customer and that their delivery channels do not exacerbate cultural differences, are those that have the best chance of winning the services battle.

Professional Services Profile of Bull in the U.K.

Bull Information Systems Limited (Bull) 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.

Positioning

Bull is positioned as a full range equipment and services supplier. The Transformation Plan focused upon three strategic directions: Bull's long-standing commitment to distributed and open-information systems (particularly in the desktop and midrange 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 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 resources from functional (and P & L) resource groups. Exhibit 3 illustrates the principle.

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

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

When 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 own 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.

Future Directions

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

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Exhibit 3

Professional Services Matrix

Sales and Marketing Business Units	Service Delivery Streams	Resource Units
Public Sector	Systems Integration	Consulting
Private Sector	Systems Operations	Software Services
Open Systems	Desktop Services	Maintenance
PC's		Products Cabling

Source: INPUT

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Exhibit 4

Services Model

Upstream Services	Downstream Services
Business and IT Consultancy	Implementation
Planning and Design	Support and Maintenance
Development	Operations

Source: INPUT

consultancy, training and support under brand names such as Gold Service and Platinum Service. These packages allow customers to draw freely upon the service up to a previously agreed ceiling. In its open environments, by contrast, Bull is offering its services on a fully unbundled basis. This is because the demand is much more akin to that in the small systems market in which services are bought on an 'as and when' or ad-hoc basis.

Bull believes that networked environments 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.

Strengths and Weaknesses

Bull sees as its key strengths:

- The quality of its relationship with its customers

- Its recognised technical skills in the key technologies, for which it is known

This strategy is aimed to take Bull into the position in which it is perceived as the natural provider of value-added 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 to be 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 SO in which 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 SO must be tackled proactively and not defensively—hence comes 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.

Pricing

Services are typically fixed on 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 previously discussed. Premium rates apply to specialised services.

Organisation

Exhibit 3 (page 6) shows the overall matrix structure of the professional services arm. 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 conducted through the normal vertically-oriented sales channels, although Bull is considering dedicated service sales activity as services revenue 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 the level of the line of business.

Resourcing

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

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

Competitive Positioning

Competition in the professional services area comes principally from services suppliers and from the in-house activities of Bull's customers' own systems 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 in which barriers to entry are low and alternative suppliers are plentiful.

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

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 telecom suppliers in future. Therefore, Bull expects 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 SO.

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.

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, Bull is addressing the question of how to bring culturally distinct hardware and software support activities together.

The question to which Bull has yet to answer is whether it can use its focus on networked and open systems to move out of the niche position in which it has tended to occupy. An example of this would be the local and central government application areas, which have moved into the broader general systems marketplace and then into services. The conflict that INPUT detects here—as is often the case—is between broadening as a systems (but product-based) company and diversifying as a services company. One of the reasons why this group of suppliers is currently in such terrible financial straits is that this dilemma has not yet been resolved for many of the cases. Time is running out for vendors like Bull. They must decide what type of vendor that they are now and in the long term; otherwise, the market will go on being confused and lead to the detriment of Bull's fortunes.

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Professional Services Provided

The following is a list of the Professional Services Bull provides:

- 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

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- Development

  - Product Specification
  - Solution Scoping
  - Product/System/Application Development
  - Prototyping
  - Systems Integration
  - Testing & 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

Digital Adds Software Features to its Multiwindow X-Terminal Family—the VXT 2000

A new release of software for the VXT 2000 has been directed at improving the ease of use of this X-terminal family in its natural environment of the enterprise network. New features include the following:

- Print queue capability that allows other users on the network to access a printer attached to a VXT 2000.

- All documentation has the capability of being made available on-line, and this is claimed to be a first in the X-terminal market.

- DECnet support, which is provided free of charge as part of this release.

INPUT comment: Digital is targeting the X-terminal sector as part of its drive into the networked intelligent business market. One of the aims of the VXT family is to ease the housekeeping burden on the user of:

- System installation

- Terminal customisation

- First-line maintenance of large groups of X terminals

This will be an increasing need in the flexible working environment of intelligent buildings.

Olivetti Not Yet Able to Report Profits

When Olivetti decided to ascribe all the losses associated with redundancies and closures to the 1991 accounts, it was hoping to prepare the way for a return to profitability in 1993 by breaking even in 1992. However, the group is being warned of large operating losses in 1992 due to the falling price of the low-end 'commodity' items in its product portfolio. PC prices have fallen by about 40% per annum in each of the last two years.

Software and services now account for about one-third of Olivetti's revenues, and some large deals have been reported in its hardware maintenance and servicing arm in 1992, for example:

- The renewal of its contract to service the equipment in the branch network of Barclay's Bank in the U.K.

• A new contract to service all the computer equipment run by British Telecom and situated in continental Europe.

Hewlett-Packard Simplifies its Software and Software Support Pricing

Hewlett-Packard (HP) has introduced a new licensing programme for software for its HP 9000 and HP 3000 systems. The improvements centre around the principle of basing charges on the number of users accessing a particular piece of software. In some cases, the licensing fees can be shared across a number of users on a network; others for which this would not be appropriate (e.g. for an electronic-mail system in which each user has her/his own mailbox) the fees are per user.

HP has simplified the software support pricing for all new orders. The support prices are available from a full catalogue on a product by product basis, rather than in the previous scheme based on categories of software.

INPUT comment: User-based pricing is claimed by its proponents to provide:

• Better utilisation of the software
• Greater configuration flexibility
• Increased incentives to user access

As the number of products being used on corporate enterprisewide networks grows, users are faced with rising licensing fees and an increasing need to manage the software asset pool. Any attempt on the part of vendors to rationalise the burden faced by a software manager in evaluating the worth of his portfolio must therefore be welcomed.

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Since 1974, information technology (IT) users and vendors throughout the world have relied on INPUT for data, objective analysis and insightful opinions to support their plans, market assessments and technology directions, particularly in computer software and services. Clients make informed decisions more quickly and save on the cost of internal research by using INPUT's services.

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— *European Focused Programmes* ——————— *U.S. Focused Programmes* —

- Outsourcing (vendor and user)
- Downsizing (vendor and user)
- Systems Integration
- Corporate Networks
- Customer Services

- Outsourcing (vendor and user)
- Downsizing (vendor and user)
- Systems Integration
- EDI and Electronic Commerce
- IT Vendor Analysis
- U.S. Federal Government IT Procurements

▰ *Custom Consulting*

Many vendors leverage INPUT's proprietary data and industry knowledge by contracting for custom consulting projects to address questions about their specific market strategies, new product/service ideas, customer satisfaction levels, competitive positions and merger/acquisition options.

INPUT advises users on a variety of IT planning and implementation issues. Clients retain INPUT to assess the effectiveness of outsourcing their IT operations, assist in the vendor selection process and in contract negotiation/implementation. INPUT has also evaluated users' plans for systems and applications downsizing.

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