

A Business Model Revolution is Underway... How Long Can Your Product Business Successfully Compete?

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The Insight Group

More and more businesses are positioning themselves to serve "everything as a service"

"AS A SERVICE" BUSINESS MODEL PERSPECTIVE

Unlike more traditional hierarchies employed by most product companies, the services business structures look more like "virtual" networks of expert teams, formed to meet rapidly evolving customer needs. These teams of individuals, selected for their "customer valued" skills, solve problems more quickly, improving the competitiveness of both client and firm alike.

Rather than just products, they use an integrated offerings approach of products, services, IP, Infrastructure and assets in partnership with other solution providers and clients to create significant value for their clients. The recent rapid infusion of technology into the business model (hybrid cloud, social media, big data/analytics, augmented reality, mobility, IoT* etc.) has created new disruptive delivery models such as "Anything-as-a-Service" (XaaS). In order to take advantage of XaaS often requires significant changes to existing company culture, how business is managed, IT Infrastructure, and how they engage their people. The ability to dynamically allocate skilled resources and intellectual assets to opportunities becomes the key for sustained success of individuals and an organization's ecosystem.

Success in this new business model for most product firms will be tied to a clear understanding of the key elements of the "technology enabled" services and solutions business model and how it differs from the current legacy model. In addition, you will need to acquire new skills and capabilities, *transform the culture*, and implement best-in-class services business processes. To thrive in this technology-enabled business model companies will also have to become technology firms with top notch software application development capabilities and strategic partnerships.

"Successful incumbent firms are more likely to follow the trajectory of Kodak, Sears shld, Bethlehem Steel, and many newspapers, dead or diminished after technology transformed their industries. Little wonder that for the past two years, when we have asked Fortune 500 CEOs to name their single biggest challenge, their No. 1 answer has been 'the rapid pace of technological change.'"

-Geoff Colvin

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The following questions can serve as a “Health Check” and a good indicator of a product firms readiness to achieve best-in-class status for their services and solution units or business going forward.

KEY QUESTIONS – A NEW PLAYBOOK

Business Management

1. Is there an overall business owner for your services & solution business?
2. Is there a documented, agreed upon services business strategy and business plan aligned with your core business strategy and fully supported by senior management?
3. Do you manage services as a “business within a business” with a separate P&L utilizing services metrics, financial models and accounting practices?
4. Do you have a lean services & solutions based organizational structure (including innovative partners) with well-defined roles and responsibilities for all key business functions?

“If leaders are unable to slough off yesterday, to abandon yesterday, they simply will not be able to create tomorrow.”

-Peter Drucker

Offerings Development Capabilities

5. Have you structured your services delivery capabilities along a practice/offerings-based model with practice leaders, documented methodologies, and intellectual capital in place for each offering?
6. Are you making use of the latest model for services offerings such as including “big data / analytics”, cloud enablement, “as-a-services” pricing and delivery models, social media etc.?... if yes, is IT infrastructure in place: Hybrid-cloud technology enabled for developing and delivering “As-a-Service” and “Big Data / Analytics” solutions?
7. Are you capable of developing and supporting “commercially ready” application software to support your big data / analytics offerings?

Go-to-Market Capabilities

8. Is there a common documented process for assessing customer services wants and needs?
9. Is there a common consultative selling/deal-making process in place for services-led opportunities?

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10. Do you have dedicated services marketing and business development (sales) teams in place?
11. Do you have the ability to commit and share assets rapidly between your product and services businesses?
12. Do you have project based customer satisfaction management and engagement complete processes in place?

Talent Management

13. Do you have a documented skilled resource management and professional development processes in place that supports the ongoing acquisition, development and certification of customer-valued skills?
14. Are your HR, compensation, and incentive programs competitive and relevant for recruiting, motivating, rewarding, and retaining key services and solutions skills, and are they aligned with your services objectives?
15. Are you developing leaders capable of managing in a collaborative culture and networked business model focused on creating value for customers on every engagement?

A **no answer** to any of the above questions should serve as a red flag regarding your ability to compete effectively for significant “services & solutions led” opportunities.

ABOUT THE AUTHORS

Tom Esposito is Chairman and Founder of The Insight Group. Tom has had a unique opportunity to observe and participate in the growth of the fee-based services business. He Co-Founded the INSIGHT Group in 1996 following 30 years at IBM where he was acknowledged as one of the key architects of IBM's Global Services Business. While at IBM, Tom was responsible for developing and implementing strategies to broaden IBM's services business from traditional maintenance and software support into a rapid growth high value customer services business including outsourcing services. He also served as chairman of IBM's North American Services Executive Council and as spokesperson for the North American services business. His last assignment at IBM was Vice President - IBM Global Consulting & Services where he was responsible for re-engineering IBM's rapidly growing geographic services businesses to a global services business with common goals, processes and metrics worldwide. Tom has been a frequent speaker at industry conferences and events...a member of the board of advisors of the Arizona State University's Center for Services Leadership. Contact Tom at esposr@insight-group.com or (757) 631-9181.

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Peter Lyons heads the Executive and Leadership Development practice at INSIGHT. Peter has extensive experience as a business coach and practice leader. He spent 10 years in DuPont's in-house business consulting organization where he led both the Strategy Execution and Services Business Growth practices. He helped design and deliver a Six Sigma based Marketing and Innovation Process Champion training program to hundreds of marketing and technology executives. This leadership certification program is designed to train the future leaders of DuPont. Peter was also certified as a marketing black belt by DuPont. With 30 years of business management experience at DuPont, Peter has held management and professional positions in research, product development, sales, marketing, and business strategy. As a practicing scientist in basic research he received a number of patents. Contact Peter at pflyons@insight-group.com or (302) 507-5136.

THE INSIGHT GROUP

A 'Best Practices' skills-transfer management consulting firm focused on helping companies transform and implement high-growth services and solutions strategies. The INSIGHT Group is also an in-depth provider of Cultural Plan Development and Management and Leadership Development programs for transforming organizations. Visit us at www.insight-group.com

WHAT OUR CUSTOMERS SAY ABOUT US

"INSIGHT has a different model... value comes from their depth of expertise..."

"The INSIGHT team demonstrated a high level of understanding and expertise... and what it takes to be successful."

"Both the cultural segment and management training programs were terrific...excellent content and well presented by all."

"Very impressed with the self-assessment analysis...enlightening - many of the participants are already using and acting on what was conveyed in the workshop."

"The materials, intellectual capital, and individual's knowledge base were all valuable. Definitely gave us a lot to think about... every one that attended will be using the knowledge that they gained and be more effective managers."

"I honestly believe it was some of the best time I have spent in such an event, in all of my years in the IT sales world...you played on your past in such a way to show credibility, but not lecture about the "old days/ways" - and I found that to be truly refreshing!"