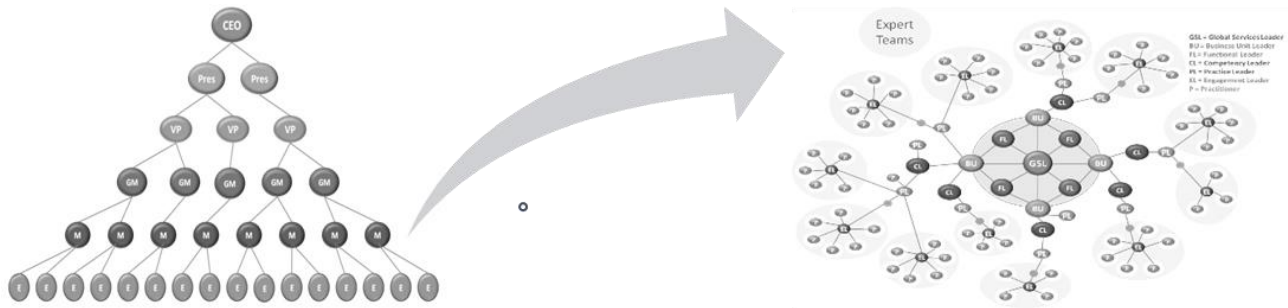


# Transforming to a Customer Solutions Business



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- *Why is this happening?*
  - *What needs to change in your business?*
  - *How do you manage a "solutions" business?*

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- *Why do this?*
  - *Do I have to change my legacy business?*
  - *Do I need to acquire new skills / talent?*

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- *What are the most significant challenges?*
  - *What are the critical success factors?*
  - *What about the impact of culture?*
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## SUMMARY

*The power has shifted in the marketplace. The customer ecosystem is now the organizing entity; and the business model has become the competitive arena. To succeed, maybe even survive, companies need to learn how to operate a new solutions / services business model while simultaneously optimizing their existing business. As a CEO it's important to understand how this services business model works and how it can impact your transformation and accelerate the improvement / growth of your overall business.*

## 1 WHY DO THIS

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Today the competitive landscape involves different business models. Just ask yourself what industry does Google, Apple, Samsung and Amazon compete in? What does the term industry even mean any more? This phrase and the mindset are all about companies, their value chains and what they are selling. Moreover, there has been a steady deterioration in the margins / returns for 20,000 firms operating in this mode for the past five decades. The world today revolves around the customer ecosystem, which becomes the organizing entity and the focus for creating value with your company's capabilities.

Why is this happening? What's changed for your business and how you need to manage? *...Just about everything!* As Steve Denning\* points out, we are going through an amazing set of economic and social changes. Everything we do is being reinvented – how we live, work, play, communicate, even how we think and feel. So instead of becoming more efficient at delivering products and services and pushing them at passive consumers through sales campaigns and advertising, firms must understand, anticipate and meet the needs, wants and whims of customers who are well-informed, empowered and interacting among each other. As individuals we all want to be a market of one. The world has changed, but our management practices haven't.

*"It's important that the proposed solution fits the customer's unique business needs and is viable".*

Is your business still focused on selling products instead of solving your customers' problems? Are you having trouble managing and motivating your employees? Are your margins deteriorating? Is it you, your workers or the marketplace that's the issue? Guess what. It's all three. Let's start with the market – with very few exceptions, the power has shifted from the seller to the buyer. The customer is now in charge and your job is to delight them constantly. How about your employees - do you know enough about what they actually do to give them direction? Welcome to the world of the knowledge worker. Today's knowledge workers are more aligned to the practitioners and professions model with decision-making authority in the customer engagement process. And finally you, the CEO. Have you realized that your job is no longer "command & control" but a "guide and assist" model to acquire, train, enable and retain a highly engaged professional workforce -

liberating their energy and talents to create constant innovation and profitable growth one customer at a time?

## 2 HOW IT'S DIFFERENT

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The solutions / services business model is not complicated but it is very different than the product business model. Product centric firms have been successful and are comfortable with the traditional organization - multi-layered "hierarchies" of business and functional units that provide centralized planning and decision-making. In contrast the solutions / services organizations have to be more agile...less constrained by organizational or geographic walls... networks of competencies and thought leaders that are closer to the customer and able to adapt more quickly to shifts in technology, markets, and customer needs. Expert teams form and rapidly deploy to client locations to sell, develop, customize and deliver integrated solutions & services offerings to help solve "unique" customer problems. Innovation is built into this model since you are always close to the customer and understanding what job the customer is trying to improve.

These organizations are flatter with many more professionals reporting to managers than the traditional hierarchical structures and fewer layers of management. Communications between knowledge workers is also not constrained by reporting structures and roles. Communication networks are more defined by communities of subject matter experts vs. organizational structures. The essence of the solutions & services business is to create customer value by identifying and rapidly committing your firms thought leaders, assets, intellectual capital and infrastructure to help solve your customers' business problems.

*"The measure of success is simple... Did you improve the competitiveness of your customers' business?"*

## 3 HOW IT WORKS

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The solutions / services business model has 10 critical design elements. - see exhibit below *"The Solutions & Services Business Model Architecture"*. To describe how it works let's use the three major categories of this framework A) *Go-to-Market Capabilities*, B) *Talent Management* and C) *Business Management* to illustrate a few key distinctions.

The focus of the **Go-To-Market Capabilities** is on individual buyers within customers within a market or market segment. Understanding the wants and needs of this buyer is accomplished by intimate, direct conversations that determines how well your capabilities map to their needs and

| Solutions / Services Business Model Architecture   |    |  |
|--|----|--|
| <b>Go-to-Market Capabilities</b>   | 1  | <b>Solutions Capabilities:</b> Business Competencies / Practices / Solution Offerings  |
|  | 2  | <b>Market Management:</b> Market Segmentation; Buyers Wants & Needs Assessments; Offerings Launch Process & Portfolio Management, Marketing Programs/ Go-to-Market Plans                             |
|  | 3  | <b>Deal Making:</b> Consultative Selling / Customer Engagement Process including Complex Bids, Sales Coverage, Common Rewards Framework & Strategic Account Management                               |
|  | 4  | <b>Solutions Delivery Management:</b> Project / Contract Management / End of Engagement & Satisfaction Management  |
| <b>Talent Management</b>   | 5  | <b>Skills Management / Professional Development:</b> Skilled Resource Management; Professional Careers Planning; Skills Development & Deployment (Access to Expertise / Capabilities)                |
|  | 6  | <b>Human Resources:</b> HR Strategy, Recruiting, Performance Management, Compensation/Incentives, Transition Management, Collaborative Leadership  |
| <b>Business Management</b><br><ul style="list-style-type: none"> <li>✓ Strategy</li> <li>✓ Finance</li> <li>✓ Business Metrics &amp; Processes</li> <li>✓ Structure</li> </ul> | 7  | <b>Strategy:</b> Services Business Direction / Vision – Mission – Goals; Strategic Planning; Thought Leadership Enabling   |
|  | 8  | <b>Financial Management:</b> Financial Planning / P&L and Accounting Practices / Price and Costing Methodologies   |
|  | 9  | <b>Business Processes Management &amp; Metrics:</b> Business Planning & Enablement (Processes, Business Metrics, Audits, IT Requirements, Operating Plans)   |
|  | 10 | <b>Organization / Business Structure:</b> Roles and Responsibilities... Global / Regional, Business Units and Support; Management System; Teaming; Thought Leader Access; Cultural Change Management |

how much of an impact these will make on the buyer’s business. All the other aspects of market management, deal making and ultimate solutions delivery are all driven from understanding and serving this individual buyer’s needs.

**Talent Management** recognizes that the employees are no longer an expense but in most cases become revenue generating units (RGU). Talent development is all

about improving skills for all the employees linked to creating customer (buyer) value versus moving up a bureaucratic hierarchy. The firm’s employees are managed more like a professions-based organization (think accounting or law firm) than the typical centrally controlled Fortune 1000.

*“Customers value what you know... what you can do for their business not your title... who you are”*

Finally **Business Management** is based on managing by process versus by organizational structure. Following the appropriate end-to-end business processes for all aspects of the enterprise is rigorously enforced and leverage comes from a deploying common enterprise wide processes assessing customer “wants & needs”, sales/ “Deal Making”, offerings development & delivery, skilled resource management, project management and launching new offerings & solutions.

#### 4 IMPACTING YOUR TRANSFORMATION

Gaining knowledge of the services business model and culture is a continuing journey and a critical success factor for senior leaders. Success is rooted in the ability to manage two business models (the product business & the services business) effectively and simultaneously with their uniquely different cultures, business metrics and operating processes. In addition, learning how to share

capabilities across the two models and beginning to use the project approach to managing work in the product business can accelerate the overall transformation to a customer solutions business.

Making the shifts / changes to implement the services business model is challenging, but some companies (IBM, GE, Xerox) have succeeded. Why should you consider doing this? It's simple. It's the best and most sustainable way to improve your revenue and profit growth by providing more value to your customers.

**\*SOURCES:**

1. Steve Denning's Remarks at the opening session of IBM sponsored Radical Management Book Club, January 28, 2014.
  2. "Solutions & Services Business Model Architecture Graphic" Intellectual Capital owned by The INSIGHT Group
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**About the Authors:**

**Tom Esposito**, Chairman of The INSIGHT Group 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 is 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

**Peter Lyons**, Partner, of The INSIGHT Group 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.

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.

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 has been certified as a marketing black belt by DuPont - where "Generation Three Six Sigma – The Science of Value Creation" is being practiced.

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### **About The INSIGHT Group:**

A management consulting firm specializing in building and renovating fee-based consulting and services businesses and service lines ... developing operational services & solutions strategies and business plans that help clients rapidly move to a high growth services & solutions business. Designing and assisting to implement best-in-class global coverage strategies and plans targeted on optimizing services, solutions and product success .....specific emphasis is on global enterprise accounts and delivering differentiated customer value. In today's high-performance business environment, where customers value the integrated solution vs. piece parts products and support, services and account management are an increasingly important part of the overall business solution mix. INSIGHT is composed of highly skilled executives who have demonstrated successful achievements as line managers in Fortune 50 environments. Our consultants have extensive experience in running large scale product & services businesses, our understanding of industry best practices and our structured, process-driven methodologies that address all the essential elements of a business strategy, operation plan and management system. By providing comprehensive coverage from strategic planning to post-implementation management and training, INSIGHT simplifies the process of entering into the business solutions arena or helps optimize existing business solutions offerings.

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