

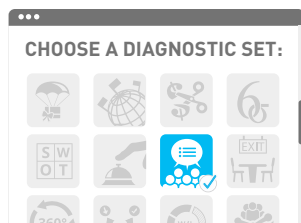


Three Fundamental Challenges IT Service Firms Must Master to Remain Competitive



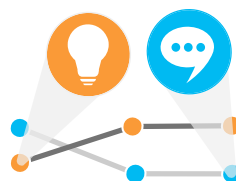
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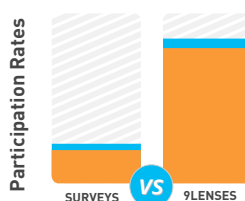
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Back to the Basics: 3 Fundamental Challenges IT Service Firms Must Master to Remain Competitive

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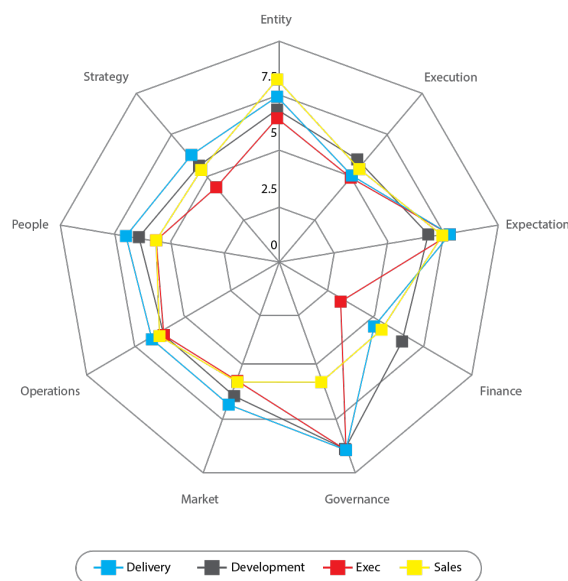
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Overview

Because the IT Services industry is both highly technical and fiercely competitive, it poses unique challenges to companies operating in this competitive space. Using proprietary data gathered from numerous organizational health assessments of IT Service industry companies, 9Lenses identified three fundamental challenges facing IT Service companies: understanding the competition, targeting offerings, and understanding customer needs. Yet these challenges are all areas that executive leadership at most IT Service companies profess to have mastered. In complex, multi-division organizations, however, these issues often pervade outside of the C-Suite.

More than 1,200 professionals across the IT services sector completed 9Lenses assessments on the health of their organizations or teams. The IT professionals answered a combined total of more than 71,000 questions and further provided 26,000 pieces of qualitative data through comments and recommended solutions. The findings presented in this paper are based on the nearly 100,000 quantitative and qualitative data points that were filtered through the 9Lenses organizational intelligence software platform.



*The 9Lenses Analytics Tool
measures alignment across all
areas of an organization*

CHALLENGE 1:

Understanding The Competition

Inadequate knowledge of the competitive landscape is a widespread challenge for IT Service professionals. Of the participants who responded to organizational health assessments, a significant number conveyed a lack of understanding of their key competitors and expressed interest in better internal education. In one privately held firm, 21% of employees did not know how their main offerings ranked relative to the competition, but they consistently recognized the value of this knowledge. Perhaps more startlingly, 80% of employees interviewed at a multinational Fortune 500 cited a lack of internal communication surrounding and training on the company's competitive rank. These two examples underscore a broader trend of a lack of understanding around competition among IT Service professionals.

When company leadership fails to communicate about the competitive environment, it leaves employees uninformed and promotes an insular stance in which strategic decisions are made without appropriate context. This blindness to market positioning can present many significant threats to strategic success. Most obviously, it renders organizations vulnerable to shifts in the market. A limited or inconsistent understanding of competitors amongst an IT firm's employees can lead to misaligned efforts at best and missed growth opportunities and loss of market share in the more likely scenario. Companies that fail to communicate competitive positioning often need to respond defensively to changes in the market place. This can make employees question their employer's future. As one employee described it, the company was "float[ing] along without a purpose."¹

9Lenses data suggests that these dangers are accentuated by the highly specialized nature of some markets within the IT services sector. 53% of IT service providers named differentiation among their three greatest strengths. Employees described their offerings as valuable because they bring something to the market that can't be found elsewhere. At times, employees qualified their lack of market knowledge with questions of whether direct competition even exists. This questioning suggests an internal perspective that organizational offerings are so distinct that they stand in a

¹"Product Roadmaps," Use Case 003 B360, *9Lenses Business 360 Application*, July 2013.

market of their own. While niche market offerings may have few (if any) direct competitors, market and customer research is nevertheless critical to realizing the benefits of a differentiated offering. Assuming that differentiated offerings insulate the organization from competition makes these providers particularly vulnerable.

IT service providers can turn this challenge into an advantage by proactively seeking to understand and internally communicate their competitive positioning:

- Frequently measure and benchmarking of employees' understanding of competitive positioning to identify gaps or alignment issues.
- Systematically collect external stakeholders' perspectives on the competition.
- Ensure that all necessary levels of the organization understand competitive positioning through consistent communication.
- Stay current on market research and trends.

CHALLENGE 2:

Understanding The Customer

This challenge particularly plagues the largest enterprise-level firms where enormous client support and account management structures can become liabilities rather than assets. 9Lenses data indicates that a full-throttle effort to meet contractual requirements often taxes organizational capabilities. Most often customer needs are met, but work is haphazard and reactive rather than consistent and proactively strategic. A deficit of customer knowledge has immediate impacts on delivery and long-term impacts on growing and retaining customer accounts.

The short-term impact is a convoluted delivery process. 9Lenses data points to delivery challenges stemming from both process and personnel complexity. Bureaucratic procedures crowd workflows, squashing productivity. Participating account professionals report that their time is consumed with administrative tasks that distract from their primary responsibility of account growth. On the personnel side, the solution to these productivity challenges is not found in expanding the size of the team. Rather, in many cases, involving too many individuals with no single point of contact created confusion. Participants recommended several actions to streamline delivery complexity in these major companies:

- Limit processes to those that are truly necessary. Eliminate processes that exist for their own sake.
- Select and empower single account managers for each customer.
- Train everyone servicing a client to think strategically with the goal of exceeding customer requirements and growing the account.

The long-term impacts of inadequate customer knowledge are lost opportunities to grow and retain accounts. Relationship development, while intangible, is an irreplaceable piece of account management. IT service companies report that customer relationships are often limited to simply supplying contractually mandated deliverables. What's lacking, employees say, are customer relationships that not only secure contract renewal, but expand the scope of service and influence the direction of the industry. The key is found in streamlining the delivery process and managing customers through a single account manager. Developing executive-level relationships is also valuable for deepening customer ties. This reaps short-term benefits in better customer service and promotes strategic relationship development.

CHALLENGE 3:

Targeting Offerings

Inadequate knowledge extends beyond the competitive landscape to understanding customer needs and targeting offerings accordingly. For companies assessed by 9Lenses, a lack of market knowledge often resulted in uncompetitive offerings that were developed out-of-sync with actual client needs. Though more prevalent in large businesses, this trend of developing products out-of-sync with customer needs extended across small businesses and large enterprises alike.

For example, in dozens of assessments run over several months, employees at a major Fortune 50 firm repeatedly cited uncompetitive offerings as their major challenge. The company used its existing capabilities to determine which offerings to take to market. While management defended these offerings as core organizational capabilities, employees saw a concerning lack of demand among target customers.

Marketing offerings that fail to meet client requirements most clearly impact customer levels of interest. Beyond this lack of target market demand, selling the wrong offerings has a host of negative repercussions. Most broadly, potential customers develop a negative perception of the organization as being out of touch with their needs. Those who do buy may also purchase from other providers to meet their full range of needs or may require custom offering modifications. Reactively creating custom offering features for individual clients strains delivery resources and reduces the efficiency of ongoing development. The most successful IT service providers will use their robust market knowledge to craft offerings directly responsive to their clients' needs. Companies can achieve the competitive edge by:

- Routinely soliciting feedback from customers on desired offerings.
- Forming partnerships with key customers to glean market knowledge and test offering ideas.
- Capturing feedback from customer-facing employees and ensuring that this knowledge trickles up to key decision makers.
- Using customer and market data in product development and strategic positioning decisions.

Conclusion

Be the Company that's Easy to Do Business With

The organizations that successfully address these top three challenges stand to attract lucrative business. IT service professionals who were interviewed identified the fundamental need for their organizations to make it easy for customers to do business with them.

These same professionals described the qualities of a company that customers find easy to do business with:

- Understands market realities and is highly responsive to customers
- Develops offerings around customer needs, rather than requirements developed internally
- Streamlines processes to avoid excessive administrative burdens
- Empowers account managers with the authority they need to grow business strategically as they interface with customers

Summary

Due to the fiercely competitive nature of the IT services market, it is imperative that organizations are consistently assessing and benchmarking their performance and employee alignment across these three areas and then aggressively closing the necessary gaps.

Understanding the competition ensures that providers can differentiate their offerings strategically and better anticipate market changes. Building organizational structures and processes that incentivize customer relationship development lays the groundwork for growth. And doing the hard work of carefully targeting offering development around the most acute customer needs best positions organizations to remain relevant and expand as the IT services market continues to evolve. The impact of these three actions, however, is determined in large part by organizational alignment. IT Service companies that consistently capture employee feedback and strive for organizational alignment will stand to realize enormous gains within the IT Services market space.



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