

Arc Horizon

An Arc Partners, Inc. Publication

Special points of interest:

- A guide to deciding which type of consultancy best fits your need
- Migrating to enterprise software? Here's help in understanding your most critical risk
- Two new additions to the Arc family

— A feature for online readers —
If you use Adobe Reader, you can navigate the newsletter by clicking on entries from 'Inside this Issue', 'Continued on... Continued from...' notations, or 'Special Points' above.

Featured Article

An Assessment of Professional Services: Leveraging the Right Resources

Over the last two decades, the demand for business and IT professional services has experienced unprecedented growth and diversification.

- ◆ Professional Services has grown into a global industry with several hundred billion dollars in revenue.
- ◆ Service models have evolved and are driving greater productivity and value from these professional services firms.
- ◆ Established organizations constantly redefine themselves to stay abreast of changing needs.
- ◆ The rapid entry of new players caters to under-served segments and emerging needs.

This has resulted in a complex landscape of service providers where differences in capabilities and focus may not be particularly obvious. But one thing is certain; 'bigger' is not always better and 'cheaper' is not always the most competitive.

Drawing a comparison between professional services providers requires a deeper understanding of the industry, which can be derived by asking three key questions:

- ◆ What types of organizations are in today's professional services market?
- ◆ What distinctive characteristics or 'sweet spots' does each type bring to the table?
- ◆ How can I know when to use each type?

Arc Partners consultants have developed the following guidelines based on broad experience in the market and from inside knowledge of many of these professional services firms. A core tenet of Arc Partners is, we only hire seasoned, professional consultants with more

than 5 years experience in a core discipline; consequently, many of our people have held senior positions in one or more of these types of organizations.

Professional Services* can be roughly classified into six categories:

- ◆ Large Global Firms
- ◆ Software Vendors
- ◆ Offshore Companies
- ◆ Middle Tier
- ◆ Specialized
- ◆ Internal Consulting

Professional Services Categories

(Continued on page 2)

Large Global Firms <ul style="list-style-type: none"> • IBM • HP/EDS • Accenture • Deloitte • Capgemini 	Software Vendors <ul style="list-style-type: none"> • Oracle • SAP • SunGard 	Offshore Companies <ul style="list-style-type: none"> • TCS • Infosys • Wipro • Headstrong
Middle Tier <ul style="list-style-type: none"> • BusinessEdge/EMC • Sapient • PA Consulting • Parsons Consulting 	Specialized <ul style="list-style-type: none"> • Arc Partners 	Internal Consulting <ul style="list-style-type: none"> • Can be formal consulting departments or internal shared service support groups, generally provides support for specific disciplines

* Pure play strategy consultants and assurance and advisory firms are not included in this assessment.

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Leaders' Notes

Sorry For The Delay!

It's been quite awhile since we last published a newsletter, but the honest truth is our consultants are the ones that put together this publication; consequently, our editor, the writers, and publication people have all been out in the field working with you for the last 18 months.

Our **Featured Article** came about by client request. A few of our clients were struggling with the issue of how to best leverage the various consulting options available to them; from using the Big 4, 5, or 7 (depending on your definition of

'behemoth') to internal consultants.

We broke down the industry and came up with some fair and balanced guidelines we thought might be useful to all of our clients.

In **Arc Advice** our consultants bring you some interesting insights into the nature of migrating from local or regionally-based software to an enterprise solution, in what we hope will be the first in a series of articles.

And finally, **New Additions to the Arc Team** welcomes our two newest employees to the firm. Please join

us in welcoming Kabir Bhagat and Joseph Siciliano to the Arc team. Both Kabir and Joe bring broad industry knowledge and experience which will serve Arc's clients well. In addition, they each bring specific industry knowledge and experience which serves to complement that held by the rest of the Arc team. Please join us in welcoming Kabir and Joe on board.

It's good to be back. Enjoy!

An Assessment of Professional Services: (continued)

(Continued from page 1)

Large Global Firms

These organizations have dominated this market for 20+ years. As they matured their focus migrated to large-scale contracts.

Best Suited for Work Requiring:

- ◆ Large investment outlay
- ◆ Multi-year execution
- ◆ Multi-region staffing
- ◆ On/offshore model
- ◆ Strong management
- ◆ Large resource need
- ◆ Less industry depth

Software Vendors

Well-established firms that focus on product and related services.

Best Suited for Work Requiring:

- ◆ Product implementation
- ◆ Product customization
- ◆ Vendor / product expertise
- ◆ Client to manage
- ◆ Client to staff

Offshore Companies

These firms leverage the cost differential between local and offshore exchange rates and salary

structures to deliver low-cost services. Onshore capability of these firms is not as mature as their local competition.

Best Suited for Work Requiring:

- ◆ Offshore development
- ◆ Offshore maintenance
- ◆ Offshore BPO
- ◆ Light onshore presence
- ◆ Technical emphasis
- ◆ Volume work
- ◆ Less industry depth

Mid Tier Companies

Smaller organizations that have emerged to fill a void left by large scale focus of global firms and embryonic onshore capabilities of offshore providers.

Best Suited for Work Requiring:

- ◆ Onshore presence
- ◆ Lower onshore rate
- ◆ Short duration
- ◆ Small teams
- ◆ Domain emphasis
- ◆ Quality work
- ◆ Project management

Specialized Firms

Small and agile companies built around the capabilities of senior

talent. Known for distinctive capabilities in certain domains and a focus on very high quality client experience.

Best Suited for Work Requiring:

- ◆ Very senior talent
- ◆ Structured solutions
- ◆ Ability to resolve complexity
- ◆ Short duration
- ◆ Few resources
- ◆ Industry emphasis
- ◆ Very high quality work
- ◆ Project / program management

Internal Consultants

Captive organizations that reduce consulting spend, usually by handling issues with lower complexity and risk.

Best Suited for Work Requiring:

- ◆ Team Leadership / co-leadership
- ◆ Internal knowledge / navigation
- ◆ Tight focus
- ◆ Detailed analysis*
- ◆ Very low rates

Professional Services is an industry that thrives on discontinuity (change). It is a partnership between client and consultancy; the former providing the objective, the latter the means of

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* There is some risk that internal groups will not have the same sense of urgency as most professional service firms.

Arc News

New Additions To The Arc Team

Kabir Bhagat has joined us as a Director, with more than twenty years of management consulting experience serving clients in the Financial Services Industry. During his career Kabir has successfully led several complex client assignments requiring a combination of industry experience, thought leadership and disciplined execution, and has a strong record of sustained achievement and client satisfaction.

Over the course of his consulting career, Kabir has developed expertise across a broad range of industry areas including treasury, risk management, wholesale banking, securities processing and wealth management. In each of these areas, Kabir led engagements involving operational strategy, solution blueprints, process redesign, delivery roadmaps and implementation of vendor software or custom technology.

Prior to joining Arc, Kabir was a partner at SunGard Consulting Services, a partner at Ernst & Young and a vice president at CapGemini. Kabir holds an M.B.A. from Case Western Reserve University with a major in MIS and a minor in Finance. He holds a Bachelors of Commerce degree from The Calcutta University and is a member of the Institute of Chartered Accountants of India.

Kabir lives in New York City with his spouse Malini and two teenage children.

Joe Siciliano has joined us as a Manager, and is a seasoned financial services professional and business manager with over 15 years of experience.

As an Equities Trading Business Manager for a Global financial services company, Joe managed numerous projects for the business. For example, he delivered tactical MIS reporting for Equities sales while working with outside vendors to provide a strategic solution and also developed P&L reporting and financial modeling to forecast trading profitability using multiple vendor trading systems.

As an Equity Operations Project Manager, Joe was responsible for developing financial modeling that improved reporting of breaks for the P&S department. He implemented an automated trade netting process that reduced expenses by more than \$1M annually.

Joe earned a Bachelor of Arts in Speech Communications from the University of Rhode Island with a concentration in general science focusing on Math and Economics.

Welcome to you both!!

Arc Advice

Enterprise Software: It's More Than 'Just Software Deployment...'

The transition from regionally or locally deployed software to an enterprise-wide solution represents a dramatic change for most organizations.

Once software is selected, companies often find they are in for more than they bargained in terms of complexity of deployment and lack of end user adoption. Often, this occurs because the 'enterprise' nature of the new software suddenly highlights what was previously a hidden fact; the organization 'grew up' thinking and acting locally or regionally and using (often highly customized) software that supported this mindset. Consequently, the company's current operations and culture are simply at odds with an enterprise perspective.

Quite often, this condition reveals itself as complaints about 'loss of functionality' or 'the specialized nature of our work.' While in some cases these complaints may contain a kernel of truth, the requirements process usually surfaces these differences early enough that a determination can be made as to whether the issues must be acted upon or just let go. So unless you suspect a defective requirements process, this is probably an early form of resistance to the change.

Localized resistance to enterprise software shouldn't be a sur-

prise to anyone involved, but more often than not it's not taken into consideration when planning for deployment. Effective adoption of enterprise-wide software requires a company to come to grips with the fact that this is not 'just software deployment...' To ensure effective adoption of enterprise solutions the company must undertake a **business transformation effort**.

There are two broad categories of change efforts; *transformational* and *incremental*. Incremental change, e.g., a continuous improvement program, primarily focuses on modifying behavior or improving efficiency. Whereas transformational change is clearly intended to convert the organization into a different form than that which previously existed. Transformational change initiatives tend to be more fundamental and far-reaching in nature. In particular, organizational transformation will always involve bringing about changes in core values, attitudes, and beliefs.

"What?" you say. "You mean to tell me not only do I have to manage the technicalities and logistics of implementing the software, I also have to deal with changing people's beliefs?" In a word, yes. Make no mistake... as long as the deployment doesn't fail (i.e., you either back out of the implementation in whole or in part or fail to meet the

When end-users fail to adopt an Enterprise Solution, it can be quite puzzling...



objectives set forth in your original business case) your organization's culture will eventually adapt to the enterprise nature of your new software. The only questions are, 'how long will it take?,' and 'during that adjustment period, what collateral damage are we likely to suffer?'

A well cited study by AMR Research found that 47 percent of companies reported serious challenges with end-user adoption of enterprise

software that often put projects in jeopardy.

And according to a report of the Standish Group 31% of software implementations are cancelled before completion and another 53% go substantially over budget; a high percentage of those failures being due to lack of employee adoption of the software.

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An Assessment of Professional Services: (continued)

getting there. But the bottom line is: unless the fit between client and consultant works together well, the likelihood of real added value resulting is debatable.

is 16 pages (PPT format) and covers the differentiating characteristics of professional service categories in such areas as the level and degree of management involvement, the depth, breadth, level and type of client relationships, and it provides

details about various service delivery models, e.g., types of projects, staff experience, best practice models, and general client satisfaction.

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The full version of this assessment

If you would like a copy of this assessment, please contact:

		Type Of Organization					
		Large Global Firms	Software Vendors	Offshore Companies	Middle Tier	Specialized	Internal Consulting
Attributes	Annual Revenues & Staff Count	\$4 Billion - \$20+ Billion Over 100,000 staff across the globe	Wide range: \$4 Billion - \$20+ Billion 20,000 to 100,000 staff across Product and Services Teams	Under \$1 Billion to \$6 Billion Over 100,000 staff across Technology Services and Outsourcing	\$100 Million to <\$1 Billion 500 to 5000 across Management Consulting and Technology Services	In the \$ Tens of Million Under 100 staff focused on Management Consulting	Under \$ Ten Million if "Notional Revenue" is measured Less than 50 in staff
	Core Services	Even Balance of: - Management Consulting - Technology Services - Outsourcing	Mainly Software Product Licensing (75%) Software Product Expertise and Implementation Services (25%)	Emphasis in Technology Services and Outsourcing. Management Consulting is not a mature service	Mainly Management Consulting and Technology Services	Management Consulting	Captive Organization for Management Consulting. However, scope and scale of consulting work is typically more limited than those taken on by external counterparts
	Global Reach	Relatively Even Spread Mature Offshore Model	Relatively Even Spread Mature Offshore Model	Emphasis on NA & Europe Mature Offshore Model	Bulk of business is in one region	Single region with occasional representative offices	Geo footprint of the company division served
	Industry Mix	Relatively even spread across major industries	Relatively even spread across major industries	Relatively even spread across major	Selective: two or three industries	Typically in one Industry with a strong presence	Serves one internal client

Enterprise Software: It's More Than 'Just Software Deployment...' (continued)

(Continued from page 3)

Lack of end-user adoption can take many forms including both active and passive resistance. With CRM and Sales Force Automation, the primary areas of concern are users finding ways to achieve their goals without using the software or failing to keep data adequately updated, leading to a reduction in the utility of the solutions.

For back-office or operations-oriented solutions, the greatest risk lies in lackadaisical or ineffective use by end-users, generally leading to deep and prolonged reduction in productivity, however, incorrect usage leading to data corruption, information loss, or lack of usability is also a major area of concern.

Scary stuff to be sure, but there are things you can do to ease the pain of change and hopefully avoid becoming a statistic.

Three critical activities can start you on your way to enabling such a transformation:

1. Envision and plan your journey

- ◆ Clearly state your objectives and the reason for the change. The more you can tie the self-interest of people outside of the 'home office' into your rationale, the faster your change will be adopted.
- ◆ Translate desired objectives into a roadmap that everyone can follow.

- ◆ Prioritize competing initiatives and activities to free up necessary resources.
- ◆ Determine the right pace of change for the company.
- ◆ Come to grips with the fact that this is likely to be expensive... but much will be wasted if you don't spend what it takes to do it right.

The late Sir John Harvey-Jones, MBE, venerable chairman of British chemical giant, ICI ('82-'87), and Chairman of *The Economist* ('89-'94) expressed the concept behind this activity well, "The job of leadership is to persuade people that sticking with the status quo is actually more dangerous than launching into the unknown."

2. Adjust your operating model

- ◆ Determine to what degree it may be necessary to change org structure, processes and

- decision-making rights.
- ◆ Determine whether any operational capabilities warrant additional investments, e.g., in an imaging initiative you may need to beef up your mailroom staff; for a workflow project you might need to create a Workflow Management Office to administer the system from a business perspective.
- ◆ Decide up front whether the enterprise software will drive the company's operating model or vice-versa.

3. Increase capacity for change

- ◆ Identify areas of likely cultural or operational resistance and devise ways to surface and deal with that resistance.
- ◆ Determine if it is possible to create additional bandwidth with existing resources.
- ◆ Take the time to think through your communications plan-

- ning, and then communicate, communicate, communicate.
- ◆ Ensure management leads by example, not by decree.

Recent project failure rates clearly indicate two things: current implementation practices are inadequate for software-driven transformations, and many of the factors that drive effective end-user adoption have nothing to do with the software. Therefore, to be successful, organizations need a more robust discipline than traditional software deployment methodologies. Specifically, a more integrated discipline that addresses the complex interconnection between the software solution, the operating capabilities of the company, and the organization's commitment to change.

- J.L. Harris

Factors Associated With Enterprise Software Implementation Failure

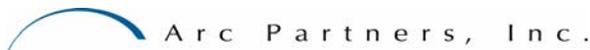
Top 3 factors cited with implementation failure:

1. Absence of experienced project management
2. Resistance to change; lack of change management
3. Failure to promote by executive sponsorship

Top 3 lessons learned with implementation failure:

1. Failed projects don't fail by small amounts
2. Project failure occurs along the way, not at the end
3. Don't underestimate resistance to change and hidden agendas

Forrester Group



"Transforming your vision into profitable reality"

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Arc Partners was founded during a time of unprecedented business and technology change in the financial services industry. Our goal is to assist financial services companies in improving business performance through better management and application of technology.

We are a high performance management consulting firm that works with clients to ensure key business process and technology initiatives succeed. We don't do projects to our clients. Our combination of industry expertise and consultative skills allows us to creatively analyze fast-changing environments and recommend best-fit solutions.

Arc Partners has earned a reputation for high quality, value-added service. We perform multiple engagements for over 90% of our clients, reflecting their satisfaction with our service. We continue to expand, but pace our growth to ensure continued excellence in the quality of our work.

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