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Can Professional Services Drive Dell's Scalable Enterprise Vision?

June 2005

"Dell has made strides in expanding and strengthening its services business—but the company has done so in a very 'Dell-like' manner."

—John Madden

Market Strategy Report

Services
Strategies



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Doc #: 5RV-02

Can Professional Services Drive Dell's Scalable Enterprise Vision?

In the realm of enterprise IT, Dell is a company often viewed as having a singular strategy—build and sell products cheaper and more efficiently than competitors, and thereby grow market share and revenues. While that deceptively simple plan lies at the heart of Dell's approach (for both consumer and business customers), its overall enterprise strategy, like its presence in the enterprise market, is maturing, growing stronger and becoming more complex with each passing year.

Dell has crystallized its long-term strategy for business customers in a vision it calls the Scalable Enterprise, which has many similarities with the dynamic computing strategies of its competitors—IBM (On Demand), Hewlett-Packard (Adaptive Enterprise), and so forth. The concept of the Scalable Enterprise is centered on Dell products, services and alliances that are rooted in industry standards and cloaked in the famous Dell direct model. The company has been promoting and marketing this vision for only a few years, but it has quickly become a focal point for how Dell rationalizes its product and services roadmaps. And it intersects with Dell's overall view that the industry will continue to leverage clusters of high-performance, industry-standard servers and operating environments, and move away from larger-scale, proprietary systems.

More important, the Scalable Enterprise gives Dell a method for talking with customers about its overall value proposition, and how it can help customers migrate to the long-term dynamic computing vision. Dell's services employees, in particular professional services, play a critical role in evangelizing the value of the Scalable Enterprise and in engaging customers in discussions as to how to make the vision real in their IT environments. Dell has never aspired to grow its professional services business to rival that of IBM Global Services (IGS) or the global systems integrators (GSIs). However, the company does recognize that services are a linchpin for helping customers use Dell products to address both their IT and their business challenges, and convince them that Dell's products and solutions are truly enterprise-class. To that end, Dell has refocused its professional services portfolio (and its entire services roster), placing overall customer satisfaction, "lifecycle" services and the Scalable Enterprise at the core.

Dell's services reflect the company's overall philosophy that customers want more standard, less custom and more lifecycle IT solutions. Dell's approach has been to slowly expand beyond traditional support services (which still generate the majority of Dell's services revenue) with more repeatable, higher value-add professional and managed services, both directly and through partners. To address this, Dell is attempting to highlight its business-centric expertise in existing and new professional services offerings.

Dell has made strides in expanding and strengthening its services business—but the company has done so in a very "Dell-like" manner. Rather than tack on new services offerings at a rapid clip, Dell has carefully and deliberately added "beyond-the-box" services that play to its strengths in horizontal infrastructure components, standards-based systems, specific platforms (Microsoft, Oracle) where it has substantial expertise. Dell's services also are generally based on highly specified, highly repeatable methodologies.

During the past two years, the company has made substantial progress in streamlining the organization of its services portfolio. Dell has moved to organize its portfolio around horizontal solutions and customers' "lifecycle" services needs—with a particular emphasis on addressing both business and IT challenges within professional services. The company's overall services capabilities are positioned according to four major stages of its products' lifecycles—and professional services are included in the first stage: plan, implement, train and maintain.

Dell's professional services are gaining a higher profile through both an increased marketing effort and Dell's efforts to ramp up the range and sophistication of its services. Dell has developed professional services around specific, horizontally-focused customer needs, and has tried to avoid offerings that require highly customized services. Dell also has been careful to only develop professional services that are repeatable, applicable to a wide range of customers, and available on a fixed price basis.

Dell has made tremendous progress in just a few years to build up its services portfolio, and has made a critical cultural change—now viewing services as more than just support and maintenance. If it can continue to add new services and enable greater partnership involvement, we believe that Dell will be able to effectively leverage professional services as a primary conduit for communicating and delivering on the value of Scalable Enterprise.

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***The report summarized here was written as part of Summit Strategies' Services Strategies Practice Area.
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Can Professional Services Drive Dell's Scalable Enterprise Vision?

In the realm of enterprise IT, Dell is often viewed as having a singular strategy—build and sell products cheaper and more efficiently than competitors, and thereby grow both market share and revenue. While that deceptively simple plan lies at the heart of Dell's approach for customers, its overall enterprise strategy, like its presence in the enterprise market, is maturing, growing stronger and becoming more complex with each passing year.

Dell has crystallized its long-term strategy for business customers in a vision it calls the Scalable Enterprise, which has many similarities with the dynamic computing strategies of its competitors—IBM (On Demand), Hewlett-Packard (Adaptive Enterprise), and so forth. Scalable Enterprise is centered on Dell products, services and alliances—all of which are rooted in industry standards and cloaked in the famous Dell direct model. The company has been promoting and marketing this vision for only a few years, but it has quickly become a

focal point for how Dell rationalizes its product and services roadmaps. And it intersects with Dell's overall view that the industry will continue to leverage clusters of high-performance, industry-standard servers and operating environments, and move away from larger-scale, proprietary systems.

More important, the Scalable Enterprise vision also gives Dell a method for speaking with customers about its overall value proposition, and how it can help customers migrate to the long-term dynamic computing vision. Dell's Services employees, in particular professional services, play a critical role in evangelizing the value of the Scalable Enterprise and in engaging customers in discussions as to how to make the vision real in their IT environments. Dell has never aspired to grow its professional services business to rival those of IBM Global Services

Key Findings

- According to a recent Summit Strategies survey, Dell has moved from being viewed by customers as a commodity-only hardware provider to a "strategic" IT vendor.
- Dell's Scalable Enterprise strategy/vision has strong elements that relate to the ongoing dynamic computing trend.
- Dell's professional services are key tools for the company to communicate the Scalable Enterprise vision to customers.
- Dell needs to establish tighter links between the company and global systems integrator partners in order to increase its expertise in serving both IT and business needs for customers.

(IGS) or the global systems integrators (GSIs). However, the company does recognize that services are a linchpin for helping customers use Dell products to address both their IT and their business challenges, and convincing them that Dell's products and solutions are truly enterprise-class. To that end, Dell has refocused its professional services portfolio (and its entire services roster), placing overall customer satisfaction, "lifecycle" services and the Scalable Enterprise at the core.

In this report, we examine how Dell is trying to leverage professional services to drive its Scalable Enterprise vision. We begin with an overview of how customers view Dell's Scalable Enterprise vision, based on data from a recently completed Summit Strategies survey. We then briefly review the tenets of the Scalable Enterprise strategy and drill down into Dell's services portfolio, with a particular focus on professional services and some of Dell's newer offerings. We conclude with suggestions about steps Dell can take—in particular with enterprise services partners—to further enhance its professional services strategy and spread its Scalable Enterprise vision throughout the market.

Section 1 **Dell's Scalable Enterprise Vision**

We first explored Dell's services strategy two years ago (see our January 2003 report, *Can Dell Find Success in Enterprise Services?*). Then, Dell was still refining its services strategy—particularly, how it would move ahead in enterprise services. At that time, many of Dell's executives were concerned that customers did not view the company as a strategic enterprise vendor, or thought that Dell lacked enterprise-level expertise for designing and deploying IT environments.

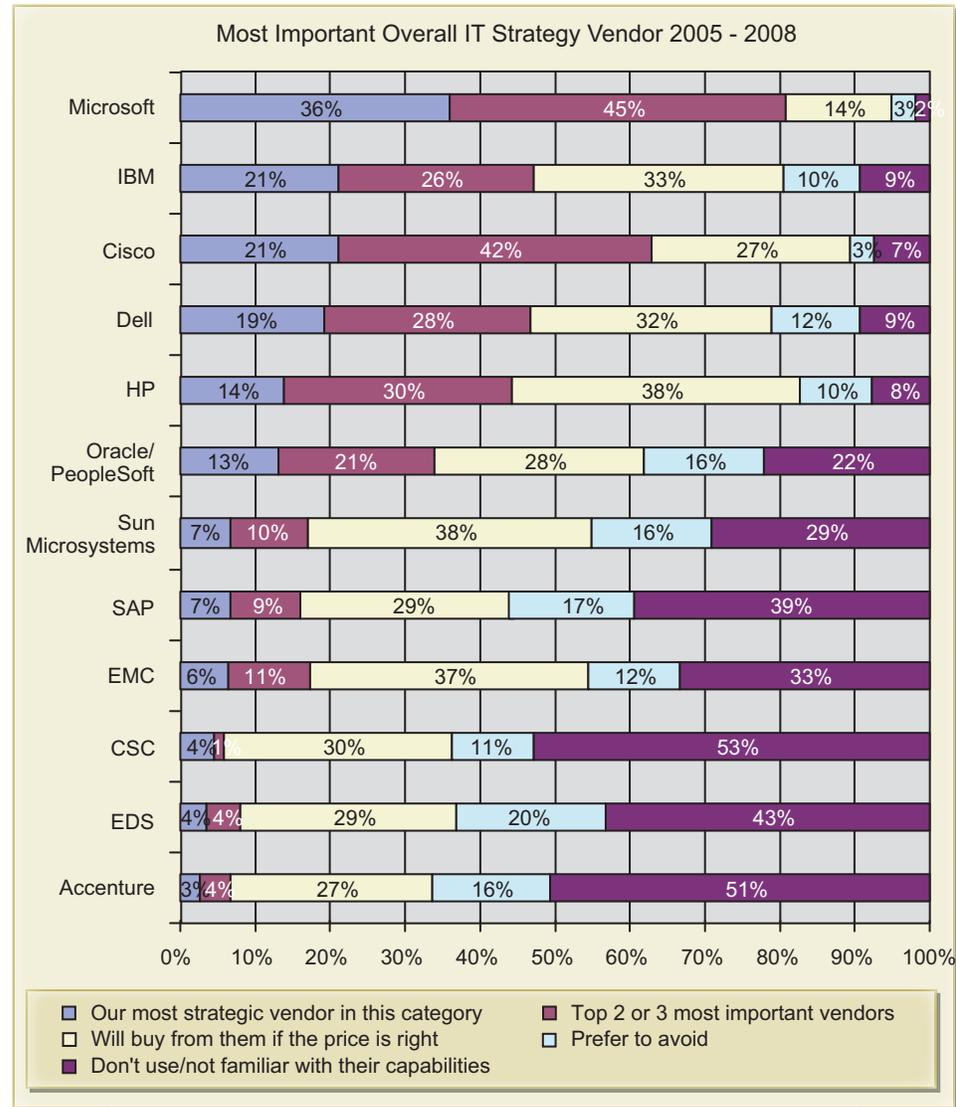
What a difference two years can make. We recently asked IT buyers—enterprise and SMB—to identify their most strategic IT vendors, both for overall IT strategy and in a variety of different IT areas, including infrastructure software and implementation and support. As shown in Figure 1, when we asked all respondents how important various vendors would be to their organizations' overall IT strategy during the next three years, Dell ranked fourth (19%) among those vendors identified as most strategic—behind Microsoft (36%), IBM (21%) and Cisco (21%). Dell ranked ahead of Hewlett-Packard (HP), Oracle, Sun Microsystems, SAP, and some global integrators and outsourcers. Another 28% named Dell as one of their top two or three most strategic vendors. In another survey data point, among large enterprise customers (with 1,000 or more employees), Dell ranked as the fifth most strategic vendor (20%), with Oracle moving ahead of Dell.

The news was even better for Dell when respondents were asked about strategic vendors for their server and storage strategies during the next three years. Dell came out on top among enterprise customers—ahead of HP, IBM, EMC and Sun (see Figure 2). Dell also outpaced IBM among small and medium businesses (SMBs), a market that both companies view as a strategic priority. While these two data points do not directly relate to the robustness of Dell's

Figure 1

Dell's Position as a Strategic Vendor

In a recent Summit Strategies survey, Dell ranked fourth when asked by respondents to identify their most strategic vendor for their overall IT strategy during the next three years.



Overall N=312

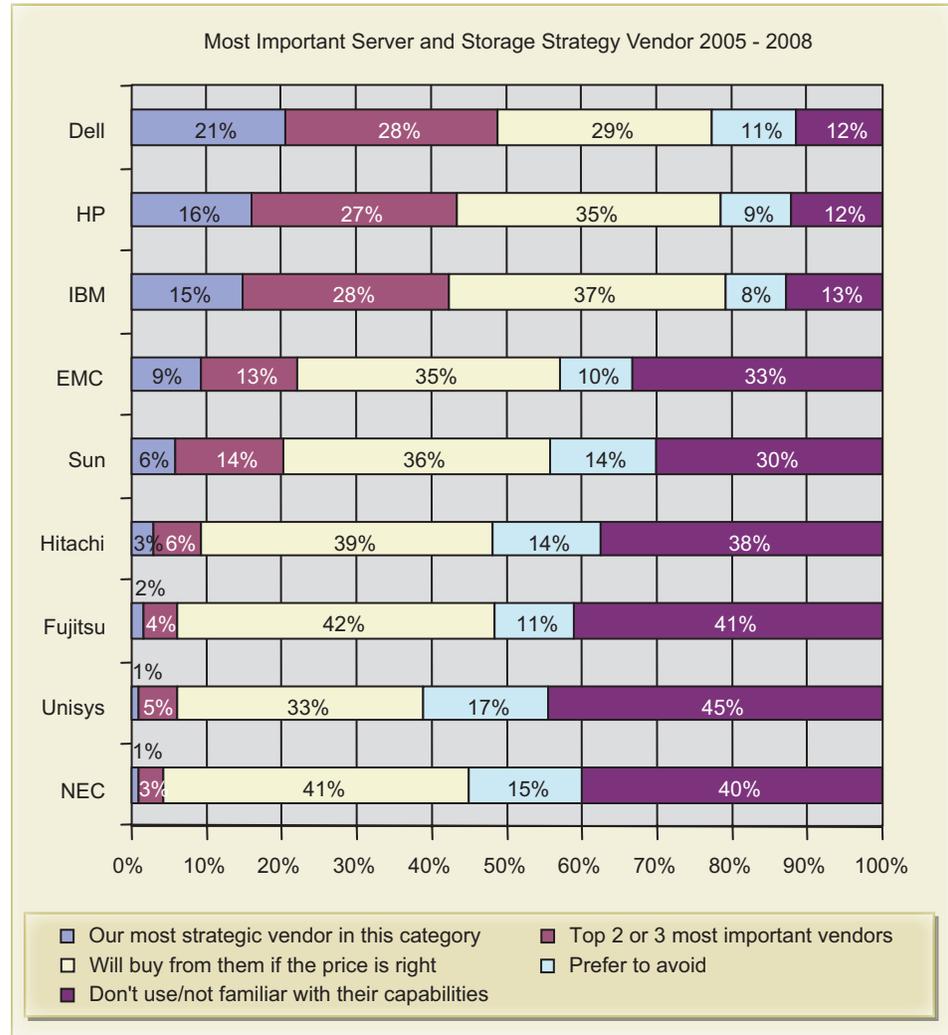
Source: Summit Strategies, Inc.
www.summitstrat.com

services capabilities, they do demonstrate that Dell's profile as a provider of enterprise-caliber solutions has gone up considerably in the past few years. In addition, when we asked our survey audience to select their most strategic vendor for IT support and implementation services in the next three years, Dell placed fourth among total respondents—again behind Microsoft, Cisco and IBM—and fifth among enterprise respondents.

Figure 2

Dell's Strategic Importance in Server and Storage Strategies

Dell ranked highest in a recent Summit Strategies survey where respondents were asked to identify their most strategic server and storage vendor for the next three years.



Overall N=312

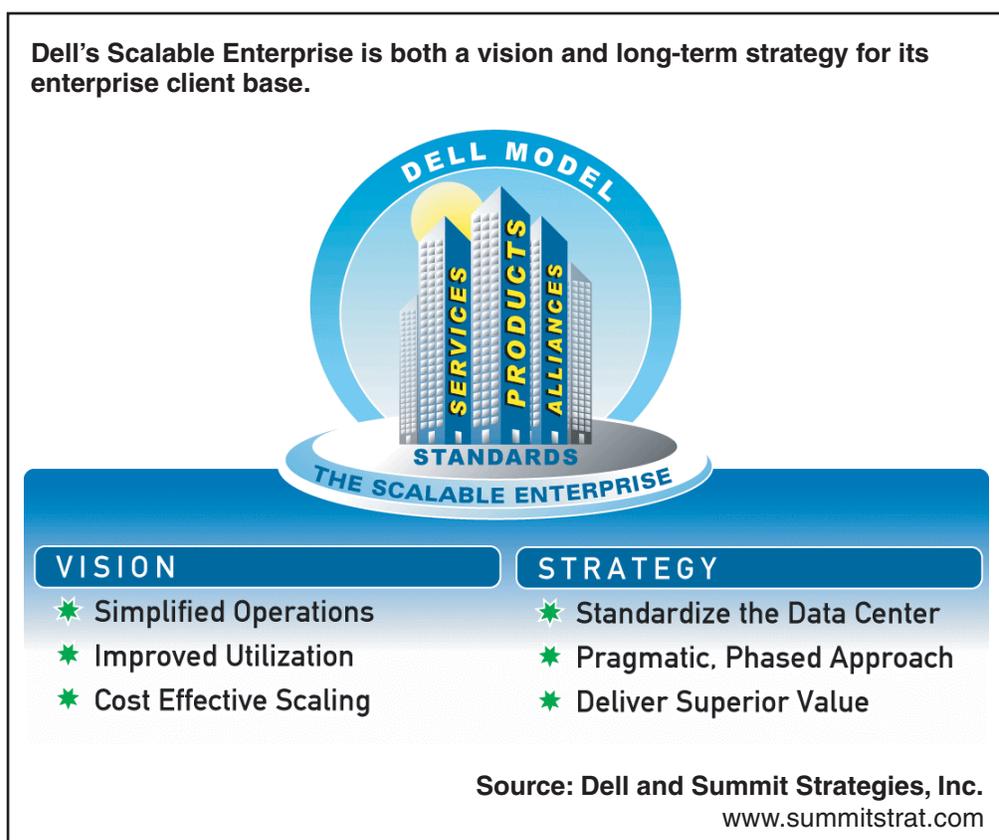
Source: Summit Strategies, Inc.
www.summitstrat.com

What does all this data mean? The results clearly indicate that Dell has done a good job building out its portfolio and educating the market about its enterprise capabilities. (See the Appendix for a list of reports that go into more depth of our survey results.) It's also clear that Dell's contention that lower-cost, standards-based systems can handle IT functions previously reserved for higher-end, proprietary systems is resonating with customers. Also, Dell may benefit from its high-profile consumer business, with familiarity in consumer markets breed-

ing a similar familiarity at the corporate customer level—although there is no conclusive evidence about a linkage.

The momentum is helping propel Dell and its Scalable Enterprise strategy into a leadership position in enterprise IT environments (see Figure 3). Based on an unwavering belief that IT customers want simplicity, optimization and better management, Dell's Scalable Enterprise vision encompasses Dell's mission to standardize core elements of IT datacenters to deliver these capabilities. It emphasized de facto standard products, open standards specifications, customer choice, lifecycle services and the advantages of Dell's direct model.

Figure 3 Dell's Scalable Enterprise



Scalable Enterprise has three primary pillars:

- *Products.* In just a few years, Dell has grown its product portfolio to include 12 server platforms (including enhanced blade-based systems), a host of storage products co-developed and marketed through its relationship with EMC, and new management capabilities as part of its OpenManage suite.
- *Alliances.* With last year's creation of its corporate-level enterprise alliance office, Dell now has a central method of communicating with partners

and attracting new ones. This program's goal is to extend alliances with application partners such as Microsoft, Oracle and SAP, with management-focused partners such as Microsoft and Altiris, and with systems partners such as Intel and EMC.

- *Services.* By making services one of the three core pillars of its enterprise strategy, Dell wants to demonstrate that it has moved beyond support and maintenance into higher value-added services in professional and managed services.

The Scalable Enterprise encompasses some, but not all, of the characteristics of Summit Strategies' dynamic computing framework. This framework tightly aligns IT and business goals through the use of new infrastructure components and virtualization capabilities, automated and policy-based service management capabilities, and optimized business processes.

Dell is positioning itself to focus on many of the infrastructure hardware elements of dynamic computing—and is bringing in partners to solve the major infrastructure software, management and business process challenges of the dynamic computing equation (although some Dell-developed management capabilities are becoming increasingly strategic for the vendor).

IBM and, to a lesser degree HP, talk to customers about their ability to deliver dynamic computing solutions from either the bottom-up (aiming to make the IT infrastructure more flexible and adaptable) or the top-down (analyzing business processes and then changing the underlying infrastructure to better support them).

Dell, however, approaches customers with a more narrowly-focused value proposition that stresses a phased approach to drive standards and scalability within an enterprise datacenter—which will lead to better IT support and adaptability for business processes over time. In fact Dell believes that its Scalable Enterprise vision will not come to full fruition until 2008, when the company plans to deliver more automated policy-based capabilities, self-monitoring tools and dynamic resource allocation for heterogeneous systems.

Of course IBM, HP and others would say they can provide a greater array of dynamic computing solutions now, and that customers have no need to wait several years to take advantage of them. However Dell believes customers will be more comfortable with their longer-term, phased-in approach that emphasizes standards—and that by leveraging its direct model, customers will see Dell's approach as more affordable as well.

Section 2 Dell's Services Portfolio

When we profiled Dell's services business two years ago questions lingered over whether Dell could sustain its services business and how strategic services would play into the company's future (Scalable Enterprise had not yet

been introduced). Today, with services as one of the three main pillars for the Scalable Enterprise strategy, there is little doubt about services' overall importance to Dell. Services currently generate about \$4 billion in annual revenue and it is one of the fastest growing parts of the company's business. In fact professional services revenue has doubled over a two-year period, with significant growth in both the U.S. and overseas markets.

As referenced previously, Dell's services reflect the company's overall philosophy that customers want more standard, less custom and more lifecycle IT solutions. Dell's approach has been to slowly expand beyond traditional support services (which still generate the majority of Dell's services revenue) with more repeatable, higher value-add professional and managed services, both directly and through partners. To address this Dell is attempting to highlight its business-centric expertise in existing and new professional services offerings.

Dell has made strides in expanding and strengthening its services business—but the company has done so in a very “Dell-like” manner. Rather than tack on new services offerings at a rapid clip, the vendor has carefully and deliberately added “beyond-the-box” services that play to its strengths in horizontal infrastructure components, standards-based systems and specific platforms (Microsoft, Oracle) where it has substantial expertise. Dell's services also are generally based on highly specified, highly repeatable methodologies. While it is increasingly moving into IT architectural planning, it still relies heavily on partners for those kinds of services, as well as systems integration capabilities (we examine Dell's partnering strategy in the report's conclusions).

Dell services have a technical “flavor” that have a greater appeal to IT decision-makers and CIOs, versus line-of-business decision makers. Dell focuses on improving horizontal infrastructure components and operational efficiency and, for the most part, leaves discussions around optimizing business processes—especially in vertical industries—to its SI and services partners. As a result, Dell's real skill in services is in addressing technology-focused customer challenges, not business challenges. In addition Dell's fixed-cost approach allows it to beat other services firms on price. But price alone will not be enough to beat IBM Global Services (IGS), HP and others in the future as they continue to target customers with services that address both technology and business value needs.

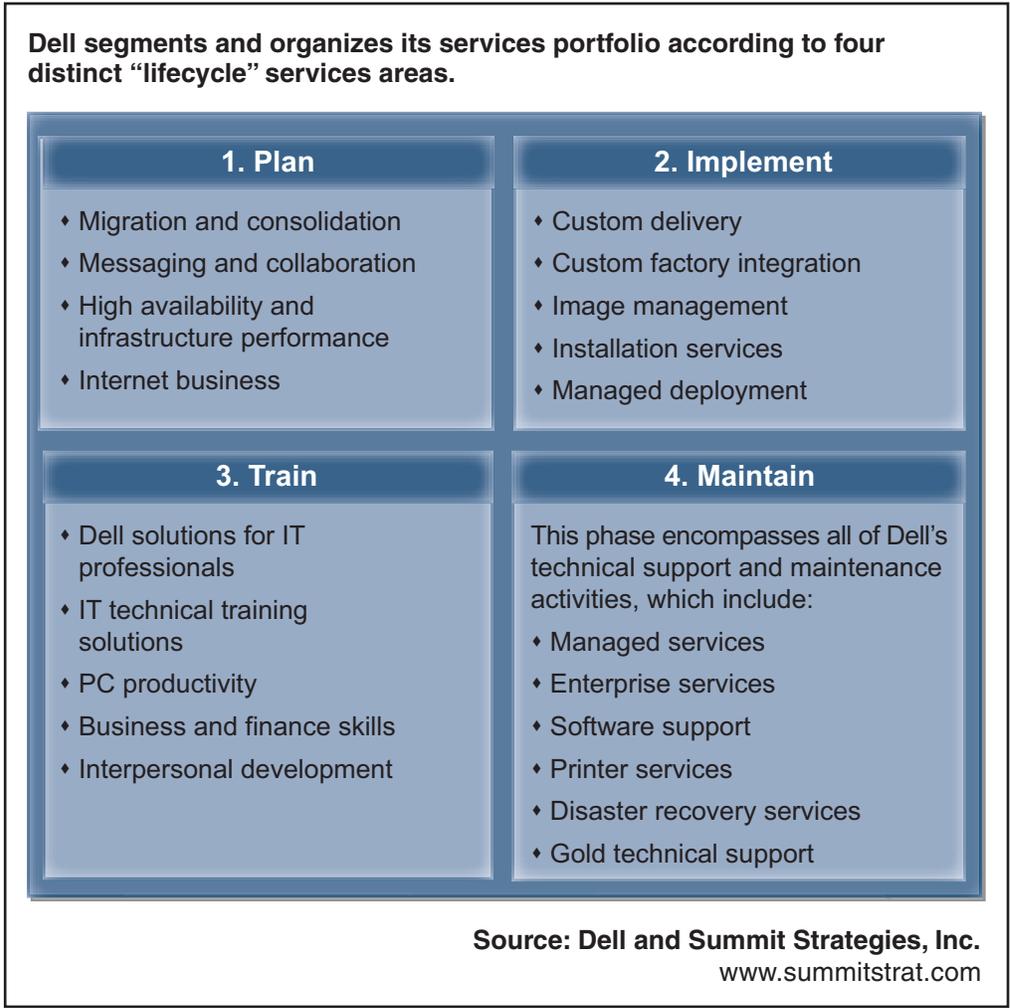
Dell has been very clear that it does not intend to hire thousands of consultants to compete head to head with IGS, global systems integrators or other firms. Instead Dell has tightly organized its professional services group and has added offerings only after determining whether there was a high customer demand for services that are tightly linked to its own product offerings. Furthermore, despite its prowess as an infrastructure provider, Dell is still proving itself when it comes to being viewed as a strategic business adviser. It is attempting to organize its professional services in a way that addresses this challenge.

Dell's challenge is that its services business has historically lacked strong focus and organization. During the past two years, the company has made substan-

tial progress in addressing this weakness. It has organized its portfolio around horizontal solutions (with a few exceptions that we detail below) and customers' "lifecycle" services needs—with a particular emphasis on addressing both business and IT challenges within professional services (see Figure 4).

Figure 4

Dell's Services Portfolio



The company positions its overall services capabilities according to four major phases of its products' lifecycles (although customers need not access these phases in order—they can start with services in one group, then move to others).

Phase 1: Plan

The first stage of services capabilities includes Dell's professional services. In this segment, Dell assesses a customer's IT assets and systems with a goal of eliminating inefficiencies and improving the customer's business and bottom

line. The Plan phase consists of four main categories (which we discuss in detail in Section 3):

- Migration and consolidation;
- Messaging and collaboration;
- High availability and infrastructure performance; and
- Internet business.

Phase 2: Implement

The services in this phase are centered on the deployment and implementation of Dell's products and systems. The five major categories in this phase are:

- *Custom delivery.* Dell will deliver products and equipment in a predictable cycle, according to a customer's location and staffing requirements.
- *Custom Factory Integration.* Dell continues the build-to-order prowess it honed in the consumer PC market to enterprise systems through its Custom Factory Integration program (CFI). Customers can have Dell build their PCs, servers, storage devices and other systems to their exact specifications—pre-loaded, tested and optimized according to operating systems and applications—so they arrive on-site preconfigured and ready to install. According to Dell, the program's "one touch" manufacturing and integration provides customers with faster deployment times and reduced costs. Customers with a Dell premier support services contract can initiate and manage the CFI process online with dedicated account and technical personnel.
- *Image management.* This cousin to the CFI program allows customers to have Dell handle software image development, validation, deployment and maintenance. Once the customer and Dell co-develop a software image (which could include, for example, the operating system, applications, drivers and specific settings for enterprise PCs), Dell can test and deploy it on a customer's equipment through the CFI program. Customers can also have Dell perform regular image updates on-site, and maintain a record of updated images that can be used in future orders processed through CFI.
- *Installation services.* In this category, Dell has developed streamlined and standard installation capabilities for Dell-based systems—providing a single point of accountability. If the standard installation options do not meet a customer's requirements, Dell will design a custom installation program. Installation services are divided into two groups: enterprise-based (server, switch, storage and small office network) and client-based (clients and wireless routers).
- *Managed deployment.* Combining elements of CFI and installation services, Dell will provide program management for large-scale desktop and system deployments.

Phase 3: Train

During the past two years, Dell has slowly and quietly built a significant education and online training business, centered on Dell systems and some related partner technologies, including those from Microsoft. Dell divides its training portfolio into five main categories:

- *Dell solutions for IT professionals*, for certification on Dell server, storage and networking products;
- *IT technical training solutions*, through which individuals can receive certification on Microsoft, Red Hat, Citrix, Cisco Systems and Oracle products and solutions;
- *PC productivity*, for training on the Microsoft Office suite, Lotus Notes, Adobe Acrobat and other business-related applications;
- *Business and finance skills*, which includes courses and training on finance, project management and related areas; and
- *Interpersonal development*, with courses on conducting effective negotiations, listening skills and creative decision making.

Phase 4: Maintain

This final phase encompasses all of Dell's technical support and maintenance activities. It includes:

- Enterprise services (servers and storage system support);
- Software support (for PCs);
- Printer services;
- Disaster recovery services (offered in conjunction with SunGard); and
- Gold technical support (customers can pay more for higher value support for PC environments).

Dell also includes the bulk of its managed services offerings, including managed deployment and image management services mentioned above—showing, again, that there are many fluid connections between each of the services categories. Organizationally, Dell considers managed services as a separate group within the company. Dell's goal is to provide lifecycle management of distributed Dell desktop platforms and Dell-based Wintel and Linux-based server and storage environments—starting with planning, moving to deployment, and encompassing ongoing management and maintenance.

In the past, Dell has worked closely with Electronic Data Systems (EDS) in managed services engagements—building on a partnership that started in May

2001 when the companies announced an alliance under which Dell would sell its systems bundled with EDS services (such as desktop management and support, or hardware maintenance and systems management). This partnership has grown stronger during the past few years. Dell is the largest subcontractor for EDS' landmark deal to upgrade IT systems for the United States Navy and Marine Corps. EDS, which is aggressively moving ahead with its Agility Alliance program as its lead for dynamic computing solutions, has earmarked Dell as its preferred provider of Intel-based systems. And Dell is now the preferred vendor for internal EDS operations.

It is clear that Dell has learned a thing or two about managing customer environments from its relationship with EDS—a firm that has decades of global, managed services experience. In an effort to augment its managed services—as well as its remote management and support capabilities—Dell opened four Enterprise Command Centers (ECCs) during the past year. These centers have much in common with EDS' worldwide management centers. With sites in the U.S., China, Europe and Japan, Dell's ECCs provide its enterprise customers with round-the-clock support, based on best practices in tracking and managing customer support needs. Dell also wants to leverage the ECCs to demonstrate its ability to manage heterogeneous environments, and wants to expand its expertise in that regard this year. Of course the ECCs, in theory, could provide some of the services that normally Dell might have turned to EDS to provide. But Dell company executives maintain that the Dell-EDS relationship is important to both parties, and assert that there is more than enough business to go around.

Dell recently launched a fifth, less well-known phase for its services portfolio, which it labels Recycle. In this phase, customers can utilize Dell's Asset Recovery Services if they decide to resell or recycle old or outdated IT equipment. With this option, Dell will pick-up, transport and dispose of equipment, providing customers with detailed security and progress reports. If customers choose the resell option (versus recycle), they can apply any "profit" toward their purchase of new products.

Now that we have laid out Dell's services portfolio, let's dive deeper into its professional services offerings and how the company is using them to bring the Scalable Enterprise vision to customers.

Section 3 Dell's Professional Services Focus

Although the majority of its professional services offerings—many of which have been available for a year or so—are horizontally focused, Dell is attempting to deliver more vertically-focused solutions in a few industries, including government, health care, retail and finance. This should not be misinterpreted as a future overture for a more vertically-aligned services strategy (such as that at IGS). Dell executives say the company merely sees potential opportunities in those industries and wants to highlight its growing expertise in those areas.

As mentioned, Dell's professional services—which provide the “Plan” services of the vendor's lifecycle services portfolio—are gaining a higher profile in the business community thanks to Dell's increased marketing effort and its efforts to ramp up the range and sophistication of its services. Dell has developed professional services around specific, horizontally-focused customer needs, and has tried to avoid offerings that require highly customized services. Dell also has been careful to only develop professional services that are repeatable, applicable to a wide range of customers, and available on a fixed-price basis.

The most recent addition to Dell's professional services portfolio is also one of the better examples of tying its offerings to the Scalable Enterprise strategy. In February 2005, Dell launched its Datacenter Environment Assessment, a fixed-price engagement where Dell will study and analyze the composition and characteristics of a customer's datacenter environment. Following an analysis of three fundamental datacenter components—cooling, power and additional remediation (see Figure 5)—Dell will recommend how a customer can reconfigure and deploy *heterogeneous* IT assets for optimal performance.

The assessment service is designed for enterprise customers whose datacenters range in size from 200 to 10,000-plus square feet. Base fixed pricing starts at \$5,000 and is determined by the size of a customer's datacenter environment. While physical size of a datacenter might seem an odd way to price this service, it is another example of Dell attempting to keep things simple for customers. Not surprisingly, Dell launched the service in concert with two new servers (the PowerEdge 6800 and 6850) designed for high-availability database applications and server consolidation projects.

Dell's Datacenter Environment Assessment complements its current stable of professional services offerings that fall into the Plan phase of the company's lifecycle approach to professional services (as an infrastructure assessment service, which we detail below). It provides an important first step for customers—getting a handle on a datacenter's size and operational status—before customers move ahead with other higher value-add projects.

Of course customer engagements do not occur in an isolated fashion. Dell will often contract with a customer for one service, which then leads to additional engagements for other services. So in many cases, an assessment of a customer's physical datacenter attributes leads to further discussions about the Scalable Enterprise vision, about Microsoft technologies, about database optimization, about disaster recovery and so forth. However, the customer will ultimately decide whether to proceed with additional assessments and engagements. Dell completed one of its first environment assessments for Brigham Young University as part of a project to build a 630-node computing cluster.

As for its other professional services, Dell organizes them into four areas:

Migration and Consolidation Services

Dell's vision of the Scalable Enterprise is based on the philosophy that leveraging standards-based technologies and applications is the best way to architect and deploy IT. To that end, Dell has a set of professional services offerings focused on helping customers migrate from traditional "proprietary" environments to standards-based (i.e., Dell) environments. This set of services usually entails a thorough environment assessment, culminating in a detailed plan for a consolidation/migration project around the following areas:

- Unix to Linux migration;
- Unix to Windows migration;
- NT migration to newer versions of the Windows platform (server migration and consolidation);
- Database migration and consolidation; and
- Storage migration and consolidation.

Messaging and Collaboration Services

With its expertise in Microsoft technologies, Dell focuses these services on improving communication and the exchange of data both within a customer's organization, and between a customer and its external partners and suppliers. The company plays heavily on its expertise in relevant Microsoft technologies, and groups this set of services in three areas:

- *Messaging services*, focused on migrating customers to Microsoft Exchange with planning, validation, testing and implementation services;
- *Directory services*, centered on the deployment of Microsoft Active Directory for improved management of distributed IT resources; and
- *Portals and collaboration services*, focused on designing and deploying the Microsoft SharePoint Portal Server, and the Microsoft Content Management Server.

High Availability and Infrastructure Performance Services

This set of services is grouped in three primary areas:

- *High performance computing clusters*, where Dell services will plan, architect and implement clusters of low-cost, high-density servers for compute-intensive applications. These can be clusters of Windows- or Linux-based systems running computational jobs, or Microsoft SQL Server or Oracle databases, among others;

- *Backup and recovery*, focused on designing and deploying an effective disaster recovery plan, and deploying Dell/EMC storage-area networks; and
- *Database optimization*, centered on Oracle 9i performance and optimization, and Microsoft Exchange clusters.

Dell centers these services on building high-volume, mission-critical systems around clusters of standards-based systems that can provide the kind of computer power delivered by high-end symmetric-multiprocessing environments. Dell began its focus on computing clusters in earnest almost two years ago, building some of the largest high-performance computer clusters in the world for customers including the State University of New York at Buffalo. These types of clusters embody many of the core characteristics of Dell's Scalable Enterprise vision—simplification, improved utilization and cost effective. (Dell places the Datacenter Environment Assessment in this services group.) This services category also emphasizes advanced storage capabilities, which, in part, leverages Dell's partnership with EMC to jointly build and sell midrange storage systems.

Internet Business Services

E-commerce is a word (and a trend) that customers do not hear about much anymore now that the Internet has become a standard method of doing business around the world. But Dell believes that many customers still need help in streamlining and expanding their Internet, intranet and extranet capabilities through improved functionality, enhanced user experiences and better integration. Its set of Internet business services provide assessments and planning around:

- *Web services*, which leverages Microsoft's .NET platform, including its BizTalk server, for implementing Web services (Dell says it has experience in J2EE-based services, but its predominant expertise is in .NET);
- *Content management*, focused on deployments of Microsoft Content Management Server; and
- *E-commerce and portals*, centered on deployments of Microsoft Commerce Server, SharePoint and other services such as Business Intelligence.

One feature that stands out in Dell's services is the Microsoft-centricity of its professional services offerings. This is not a surprise given the long-standing (and profitable) relationship between the two companies. In enterprise products, Dell has made some very calculated moves and announcements to let customers know that it has expertise beyond Microsoft products, including ramping up its Linux support and its prowess in deploying Oracle databases. By doing so Dell is acknowledging the heterogeneous nature of many customers' IT systems, and the growing popularity of Linux. Dell is increasingly marketing its ability to provide professional services for heterogeneous envi-

ronments—but it is still in the early stages and these efforts are lackluster compared to those for its enterprise product portfolio. Company executives state that we can expect to see more from Dell on this front, in terms of professional services, going forward.

Section 4 Dell Needs a Little Help from its Friends...and Partners

Dell's progress in services—and particularly in professional services—mirrors how its vision for enterprise customers has grown and matured, culminating in the Scalable Enterprise strategy. The Scalable Enterprise is not just a flashy marketing initiative for advertisements and product literature (although we feel that Dell would benefit if it did become more aggressive in creating wide-ranging marketing around Scalable Enterprise—especially by doing more to promote customer case studies that show how customers are working with Dell to reach a “Scalable Enterprise” state.) The strategy is a method for Dell to communicate to customers how it can serve both short- and long-term IT needs and, more importantly, that the company has grown beyond its consumer PC roots to become a fully capable enterprise IT player.

In the past, Dell was concerned that corporate customers would never take it seriously and turn to other vendors for their tactical and strategic IT needs. But based on our survey data of IT buyers and other observations, it appears that Dell has passed a significant milestone in its efforts to change perceptions among enterprise customers (see the Appendix for a list of reports based on our survey data). Many of our survey respondents now accept Dell's enterprise credentials and scored the vendor extremely well across a variety of segments and technology areas.

True, much of Dell's transition to being named as a “strategic IT vendor” by our surveyed IT buyers has more to do with the vendor's low-cost model and improved skill at enterprise-level deal-making, rather than its services capabilities. But Dell's consistent approach—which stresses taking out costs whenever possible—plus its obvious pervasiveness in the market, has had a profound impact on Dell's perceptions among enterprise clients. At long last, the overall company has achieved a tier-one status among customers.

Given this transition to “trusted IT vendor” status, Dell's services portfolio has important tools for demonstrating that Dell has a long-term vision within the Scalable Enterprise, and that it is building its overall product and services portfolio around it. Dell needs to leverage services in order to convince CIOs that they can stake their futures on Dell's capabilities. By engaging with customers through a variety of professional services, Dell can leverage the Scalable Enterprise to demonstrate that it understands customer pain points, provide assessments and offerings to address those areas, and work with customers for successful IT deployments.

In tandem with its focus on the Scalable Enterprise, the services group is thinking less like the services arm of a product company and more like a provider of

lifecycle services and solutions. The services group's clear organization—and improved promotion—of its portfolio reflects this change. As referenced previously, Dell's services roster in the past was confusing, poorly organized and difficult for customers to determine available services. However Dell's major investment in reorganizing and streamlining its services portfolio now shows. For example, Dell's Web site for corporate customers has an entire section devoted to Dell services—which would have been unheard of in the past. This section has brochures, marketing material and other information that clearly spells out Dell's services capabilities.

This development might seem like small potatoes for IGS or a global integrator. But for Dell—a company that has a very circumscribed view of the type of services it will provide and essentially built these capabilities in only a few years—it is an important confirmation to customers that it takes all of its services capabilities seriously. In other words Dell needs to clearly demonstrate its current services capabilities and then demonstrate a long-term commitment to continually enhance these services to address customers' future needs.

So Dell is doing a better job in conveying a credible Scalable Enterprise vision and presenting and delivering the types of services required for more and more customers to trust it to deliver on this vision. But what about the services themselves, especially professional services? Is Dell effectively leveraging its services partnerships to help make Scalable Enterprise real to customers?

Dell fully acknowledges that customers require many more services beyond its relatively IT-focused, standard products-based infrastructure services. Many customers also need help in defining their overall business strategies and, especially, in aligning their IT environments around the business processes required to execute on these strategies.

Moreover few customers have industry-standard-only environments—the kind in which Dell thrives. Customers have legacy environments that must be modernized, enterprise Unix environments into which their industry-standard architectures must integrate, and comprehensive environments which must be managed and transformed. They also have complex storage management and network needs—and some customers want applications and business processes that run on these infrastructures to be delivered to them as single-source managed service.

Dell never will, and does not have to, deliver all these capabilities itself. But Dell must provide links to partners who do provide these services. After all, its competitor, IBM, promises to deliver all these services as a comprehensive single-source offering for which it assumes complete responsibility. And HP offers increasingly seamlessly integrated links between its own offerings and those of systems integrators that can deliver complementary services. Dell must also demonstrate that it can, or at least that it intends to, deliver comparable capabilities for customers that want them (or at least, make a compelling case as to why customers should not want a single vendor to ensure seamless delivery of such comprehensive offerings).

Dell's lack of focus on providing these partnering links is one of the most dangerous gaps in its current services offerings and plans. It has made some progress in demonstrating these links with EMC (which is a much more technology-focused partnership), EDS and, to a lesser degree, Computer Sciences Corp. (CSC). But to fill the gaps in its services strategy, Dell needs a more proactive plan. The company needs to assess exactly what its services gaps are and develop a process and roadmap for identifying the most effective partners, and for establishing the type of alliances that will allow for increasingly seamless integration (ideally both at the go-to-market and at the service delivery levels). These relationships should be close enough to allow for any level of integration the customer prefers, open enough so that the customer can easily substitute whichever partners they prefer and multi-faceted enough so that Dell can work cooperatively with multiple competing partners, instead of effectively forcing some potentially strong partners to seek an alliance with a Dell competitor.

Dell also needs to be more aggressive in demonstrating how its services, especially professional services, address customers' business needs. Dell is focused around building expertise in a few key verticals such as government and retail, but has no intention of aligning professional services around specific vertical industry practices. While that approach makes sense for Dell's overall approach to enterprise customers, it reveals how much it needs robust SI and services partnerships to achieve greater services success—and promote the Scalable Enterprise strategy.

As mentioned, Dell does have some partnerships. Among the larger SIs and outsourcers, Dell works most often with EDS, CSC and Accenture. However, while partnerships are a tenet of the Scalable Enterprise strategy, Dell more often promotes its platform and ISV partners rather than its services partnerships—giving the appearance that the latter lack real depth. For example, one of its strongest services partnerships is with EDS, and the two are involved in more joint selling opportunities than ever before. The Scalable Enterprise strategy, in fact, is a natural fit to EDS' Agile Enterprise strategy (in fact, Dell is a member of the EDS Agility Alliance). However, Dell is not doing much to promote this relationship—it has not made a single announcement this year regarding a joint customer win or collaborative project. A greater emphasis on its EDS relationship, and its other services partners, would allow Dell to give customers a “complete” services story—one that clearly defines how Dell and its partners can deliver IT and business value.

However, the EDS relationship is only going to go so far for Dell, given EDS's ongoing financial status and the lingering questions about its ability to recover from past missteps. Furthermore, Dell needs SI partners who are most effective at getting in at the beginning of the customer evaluation cycle, regardless of whether customers chose an in-house or an outsourced implementation. Among the global SIs, Accenture is by far the largest and, most importantly, the only one with close to a guaranteed future. Dell must place a clear proactive priority on establishing a comprehensive, multifaceted relationship with Accenture. Dell should also explore a relationship with Avanade around some natural synergies that they have with their respective relationships with Microsoft.

For Dell, however, creating stronger partnerships with global SI partners such as Accenture might seem to pose some inherent challenges. SIs thrive on IT complexity, which leads to lucrative consulting and integration contracts with customers needing help in the planning and deployment of distributed IT environments. SIs' business model seems to be at odds with the entire premise of the Scalable Enterprise strategy—which is based on simplification and optimization through the use of industry-standard components. True, global SIs are working with Dell professional services more often and on larger engagements because customers want Dell systems in their IT architectures. That practice will continue. However, the inherent disconnect with how Dell and SIs go to market will prohibit the establishment of deep and integrated partnerships.

To that end, Dell might want to consider reaching out to regional and midsize SIs (RSIs) to establish ecosystems with the Scalable Enterprise at the core. This effort could occur in tandem with any efforts to establish a more multifaceted relationship with Accenture and other global SIs. While these RSI relationships are more problematic and harder to establish than those with global SIs (which should be the higher priority), they may be a worthwhile long-term goal for which Dell can start planning now. Dell could expand these RSI-focused ecosystems to include ISVs and value-added resellers (VARs) looking to augment their solutions selling capabilities. Partners, for example, could be trained and certified (through Dell's own training services) to deliver the Datacenter Environment Assessment and others around migration and consolidation. Dell could then work with partners for the delivery, deployment and management of IT systems, augmented through its managed services and its ECCs.

Even though RSIs could provide an important channel for its professional services, it doesn't appear that Dell has done any planning or strategizing around the future role of them or their ecosystems. As we detail in another report (see *The RSI Land Grab and the Quest for Midmarket Dominance*, June 2005), IBM, Microsoft and others already recognize the value of these kinds of partners, particularly in reaching mid-market customers. Dell needs to come to the same conclusion and should start planning on how it can work more closely with RSIs in the future.

Dell has made tremendous progress in just a few years to build up its services portfolio, and has made a critical cultural change in viewing services as more than just support and maintenance. If it can continue to add new services and enable greater partnership involvement, we believe that Dell will be able to effectively leverage professional services as a primary conduit for communicating and delivering on the value of Scalable Enterprise to the market.

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