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2007

[Link to publication](#)

Citation for published version (APA):

Pierce, P. (2007). *The System Integrator's Dilemma*. Lusax security informatics.

Total number of authors:

1

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LXM-PP2-The SI Dilemma

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Pages: 3
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The System Integrator's Dilemma

Executive Summary

Having attended the 2007 ASIS show in Las Vegas, the question beckons to some of us: Are we at the right show, or even worse, do the potential customers understand the value offered by a fully integrated security system? Do products and services have to have bells and whistles in order to attract attention and thereby customers, or is there a genuine thirst for knowledge of what fully integrated services can provide? This short paper offers an idea of the background that led to these questions being raised, as well as a potential answer to how to come to terms with this lack of knowledge and understanding within the converging security market.

Background

Since ASIS 2006 we have seen a number of large M&As (Pelco and TAC), (AssaAbloy and iRevo), (Cisco and BroadWare). There have been a number of alliances declared (Cisco and AssaAbloy, IBM and CNL and so forth). The question is if there has been enough of either; we do not know the speed of change taking place and that means that we do not know the speed of change needed. The industry as a whole is still growing at brake-neck speed and the IT/IP segments even more so. Why have we not seen more M&As and alliances within the industry when organic growth clearly cannot keep pace with market development? Two comments from experts in the industry give one of many possible answer *"Companies in this business need to focus, very few are focused"* Severin Sorensen, Security consultant. *"You need to understand focus! If you do not have the same focus your alliance will not work"* Bud Broomhead, Intransa.

At the same time there are signals that indicate that the end-users do not see or understand the value of the potential extra services offered by running all installations on one IP system, nor do all accept the idea of an overall converging market space where different departments will have to start cooperating sooner or later since they will be housed on the same backbone.

- It can often be argued that neither the security department nor other departments at the end-user side have the know-how to see the full potential of an integrated security system offering value beyond mere security applications.
- The typical retailers or operators mostly use video surveillance for legal protection, for example against slip and falls and to reduce shrinkage, i.e. loss prevention.
- Other departments, like IT or operations, often do not demand data generated by the security system for their purposes. They typically see security as an add-on to their systems that is not operation-critical, and operations has yet to realize the value of security data for sales purposes.
- It would seem that there has not yet been a case, or an implemented project, that could help companies comprehend what could be done to their overall budget with a fully integrated system, where one department could service and run all hardware and software. There are indications that this alone would reduce running costs with up to 10%.

These four bullets are examples of some of the end-user knowledge deficiencies the SI has to work with. This suggest that there is a very real need to educate companies who are active within the industry and in turn help the different sales forces to train and educate the end-users in order for them to see the potential of integrated systems. It should be pointed out that education is needed in the IT vertical as well as the security vertical, albeit for different reasons. When the two verticals are trained it will be easier for them to give informed suggestions to end-users.

PARTNERS



Perceived needs on the industry side:

The industry needs to fill the knowledge gap that exists. This gap is present in many areas, but is most obvious when talking about the potential of convergence of different systems within operations. It should be of interest to most players to do business-model analysis of different available concepts. By analyzing the different market segments and what competitors in the same and other markets have done, you can build requirement-models and from them create value-chain models, organizational models as well as get an idea of resources required. By mapping the different concepts and market segments it will be easier to lay out a roadmap for action when it comes to education internally, as well as externally, and potential M&A requirements. The parts that cannot be solved neither through training nor M&A in a conceivable timeframe can hopefully be solved with alliances and an alliance eco-system.

Perceived needs on the end-user side:

The value of data generated from security systems needs to be recognized by business critical departments. Consequently, the challenge for the industry is to stress value beyond security to either security/LP¹/finance or other departments. This creates a new form of sales strategy that needs to be addressed. It is not all about selling cameras, access control or software, but to sell the idea of integration, as well as system services and what this can offer different departments within the organization on the bottom-line. This means that especially systems integrators need to get away from a "box selling" attitude and start embracing a true value added service attitude.

"Project management is a key factor to success for any business, but even more so for large security installations. This means that you won't create value for the customer unless you have this figured out" Dan Mocerri, Convergent

Overall needs:

There is a need to create an understanding of this new business area for *all*, i.e. we need to educate producers, installers, users and maybe most importantly C-level management. In doing so there is a need for Success Stories of partial or complete convergence and integration projects. So far this has not been done to any great extent and hence there is also a need to create tools that can help companies both achieve success as well as spread the success stories. *"I don't even bother unless I am talking to the C-level since we are dealing with complex issues and there needs to be a complete sell-in of the project"* Severin Sorensen, security consultant

By realizing that there is a need for education and tools to use, there comes a need to analyze the environments that have created success as well as failures in order to see discrepancies in how projects have been handled. It would seem as a good idea to do a concrete SWOT analysis for an integrator with ROI on a complete educational remodeling of their business in order to create a case to then further benchmark against. This could possibly be a new value chain for the company, with an opportunity to showcase real value added.

Method

We need to develop potential answers on how to come to terms with the lack of knowledge and understanding within the converging market space. Today's market space is very complex and this implies that you need a large toolbox in order to handle the different forms of knowledge and understanding that are present. There is a lot of "noise" present in our everyday life, which ultimately means that all messages get distorted over time, and that in turns means there is an inherent need for feedback loops as well as filters of different forms.

Knowledge management focuses on the creation and distribution of knowledge in organizations through technological novelties such as the Internet, intranets, and e-mail, although there are also streams concentrating on social relations and interactions. On a department level this can translate into knowing how to transport knowledge across departments, valuing expertise and the recruitment of expertise and having incentives for knowledge sharing within the organization.

¹ LP (Loss Prevention)

It would seem reasonable to claim that a change of mindset is needed for the security integrator as well as the industry at large. There is a pressing need to get a way from the box mentality, which in turn means that new sales processes are required since the end-users will ask different questions when you sell a different product. Discussing value added and project management will be key items in the future, as will the ability to go for the “low hanging fruit” in order to generate success stories, which in turn will be needed in a changing market space in order to get validation of concepts developed. There will be a real need for both classroom training as well as on site training of new technologies, and most probably this will be done with the help of different alliance partners and team building within organizations. Finally there is the issue of how the integrators will grow and acquire the knowledge needed to be a true value added service provider. There really are only three ways of generating the growth needed:

- Organic growth, which is a solid option that is often slow, maybe even more so in a fragmented industry. The organic growth can be accelerated through careful recruitment to key management positions.
- M&A, which is a good option, but requires a lot of financial resources and a market that offers acquisition targets that have actual market shares. M&A requires effective due diligence in order to have any success rate.
- Alliances, which is another good option, but requires a lot of time and effort from the involved parties to succeed. There is also a need for knowledgeable managers preferably with some experience from alliances, but if that is not possible at least with a clear grasp of the goals and targets for alliance success.

Acknowledgements:

This memo was first conceived at ASIS, but could not have been done without the empirical material generated from interviews during 2006 and 2007. I would like to give special thanks to Fredrik Nilsson and Trygve Kolstad from our partner companies as well as Severin Sorensen, Dan Mocerri and Bud Broomhead who's comments made it into the memo as quotes.