



Smart LibrariesTM

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Smarter Libraries through Technology: Concentration of Corporate Impact

By Marshall Breeding

One of the basic trends in the library technology industry is the consolidation of the companies that has transpired over the last few decades through mergers and acquisitions. This consolidation has resulted in an industry dominated by a small number of organizations. These companies operate internationally, and are in many cases the leading options for libraries in other regions of the world, as they are here in the United States. While there are some mid-sized and smaller companies that offer library technology products within a given region or to niches not covered by the larger companies, the options of providers today remains uncomfortably narrow.

The number of products supported today exceeds the number of providers. In many cases, even though companies have merged, the products of the incumbent companies continue to be supported, and in many cases receive ongoing development. Examples include ongoing support of both Horizon and Symphony by SirsiDynix; and of Aleph and Voyager from Ex Libris, in parallel

with the development of its new Alma platform. Innovative continues to support Millennium in addition to Sierra as well as the Polaris and Virtua ILS products, gained through business acquisitions. Follett has largely completed the unification of its product line around Destiny, though some installations of its much older product lineup remain, including Circulation Plus, Winnebago, and Athena.

The number of products from these companies will eventually narrow. Supporting multiple incumbent products in the short term is a wise and pragmatic strategy. Companies can reap considerable savings when they merge through business integration of administrative, sales, and support divisions without also eliminating development and support of multiple products. Libraries do not respond well to abrupt product transitions because of their deep reliance on these products for their operations and their long planning and procurement cycles. It disrupts the library's technology strategy when a product on which it depends faces an early demise as a victim of a corporate merger.

Given the need to maintain positive relations with their library customers, companies follow a gentle course in their product strategies. These product strategies may involve a long-term convergence of multiple legacy products into a single next-generation platform. Ex Libris can be seen as a prominent example of this strategy in its ongoing support and development for both Alma and Voyager. SirsiDynix, likewise, continues to support Horizon and Symphony while providing new modules, functionality, and products via its strategic BLUEcloud platform. Innovative has more recently joined the leagues of companies with multiple ILS platforms and

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has not diminished the resources devoted to the development of Polaris. The company has strengthened the development of the LEAP technologies, which provide Web-based interfaces for Polaris, with potential for extension to Sierra and other products from Innovative.

My general view is that most companies work toward an eventual one-platform strategy, even if it takes a decade to execute. Within this context there is an overall expectation that incumbent products will receive development and support for an extended period, but that the development and other services will eventually wind down as they are displaced by new-generation offerings. Providers that attempt to coerce change too rapidly can diminish loyalty of existing customers and tarnish their reputation in ways that are counterproductive. The strength and innovation of the new products will attract libraries more than any coercive product strategy.

The long-term strategies of each company toward a single or a unified set of products will result in further narrowing of the field of options for libraries. I am optimistic that this slate of new and evolved products will be more powerful and innovative than the current slate of offerings. Companies with more capacity than in previous phases of the industry, undertaking long period of development, will achieve results. The number of options may be narrow, but it is my hope that strong products for each type of library will emerge. If either the number of options shrink beyond levels of tolerable competition or if the products prove not to perform at expected levels, then other disruptive factors will likely conspire to alter the market.

Another level of consolidation or concentration is apparent in the ways that libraries opt to implement systems. I see a pattern, not unlike business consolidation, where libraries previously operating as separate integrated library systems are moving toward shared implementations. In this issue of *Smart Library Newsletter*, we note a number of national and state-wide projects provide a single instance of a technology platform displacing multiple systems. Sharing systems through consortia has been part of the library automation arena from its inception. The numbers of libraries joining existing consortia and the mergers of consortia result in ever larger implementations. This trend of concentrated implementations not only favors the providers able to support large-scale projects, but it also can dramatically reshape the competitive landscape to one where procurement results in a winner-take-all outcome.

The current slate of players represents the survivors of the industry.

The trend toward concentrated systems isn't universal. Threads of activity work in the opposite direction. Some libraries break away from consortia to implement individual systems. For example, the Lincoln City Library in Nebraska recently exited the Pioneer Consortium, which shares a Koha system, to implement its own SirsiDynix Symphony ILS. Overall, in the data that I observe, the churn of libraries joining consortia exceeds those moving to independent ILS implementations.

The consolidation of companies, products, and implementations means that each of these organizations offering strategic library products bears incredible responsibility. Ever larger numbers of libraries depend on the success of each of the members of this small corporate club.

Given the high stakes that bear on the success of these companies, reasonable scrutiny, analysis, and assessment is important. I continually gather information on these companies for the many articles and reports that I produce, keeping an eye out any red flags that signal concern. Any organization may exhibit symptoms at any given time that may need to be addressed. I keep a watch out for chronic issues.

Not that the industry is entirely free of problems, but overall each of these organizations continues to demonstrate a generally healthy prognosis. It's important to note that this current slate of players represents the survivors of the industry. Weaker players of the previous phases of the industry have been the targets of acquisitions and absorbed into other companies. The industry is fortunate to have seen very few companies that have gone bankrupt, and none in recent decades.

This month's feature on the transition of leadership at Innovative follows this vein of inquiry. Any abrupt change in leadership—especially at the CEO level—triggers concern. Is such an event related to the individuals involved, or is it a harbinger of broader change? My initial conclusion leans toward the former. Any person can make a choice not to continue with any given employer—and it's highly conspicuous at the CEO level. It's not necessarily important to know the personal circumstances. But after talking with a number of persons within the company, I don't see any indication of systemic concern. As usual with this type of article, we take the opportunity to review and report on a variety of events related to the company that helps support this conclusion.

Leadership Transition at Innovative

A change in executive leadership is underway at Innovative Interfaces. Kim Massana resigned as Chief Executive Officer of Innovative on August 26, 2015 with immediate effect. Innovative did not issue a press release, but contacted many customer representatives and others directly. No specific reasons were given regarding Massana's resignation other than it was by mutual agreement with the company's Board of Directors. The board is constituted by representatives of the two private equity firms that own the company, HGGC and JMI Equity.

Albert E. ("Bert") Winemiller was named interim Chief Executive Officer, and the company will immediately commence an executive search for a permanent replacement. Winemiller has served as an Operating Partner for JMI Equity since 2011. He was previously CEO and Chairman of PROS Holdings and subsequently joined JMI, which was a major investor and led the company's initial public offering in July 2007. PROS Holdings develops software to assist businesses to set pricing for products to optimize revenue. Winemiller has a long history in the software development industry, beginning with IBM as a systems engineer, writing business systems in assembly language and rising through the executive ranks of other companies, including Automatic Data Processing, Research Ltd, and InfoUSA. He serves on the board of directors of a variety of companies. Winemiller earned an MBA from Harvard University and earned a BA and an MA in statistics and mathematics from the University of Missouri.

The Tenure of Kim Massana

Huntsman Gay Global Capital (HGGC) and JMI Equity acquired Innovative Interfaces from its founder Jerry Kline in February 2012. The new owners conducted an executive search for a new CEO through the Lancer Group, leading to the selection and appointment of Kim Massana in August 2012. Massana had previously worked for Thompson Reuters Elite and held a variety of executive positions for Swets & Maxwell and Equifax.

During his three-year tenure as Chief Executive Officer of Innovative, Massana led the company through a difficult period of transition from a founder-owned and managed company. Under Massana's leadership the company saw significant expansion. It was able to extend its penetration into libraries organically through extremely strong sales for Sierra as its strategic product. The company is on track to make the

transition from Millennium to Sierra more quickly than other companies moving from their incumbent products. The company reported 600 Sierra installations made by June 2015. The libraries.org database includes 1,722 library organizations or 3,766 individual facilities using Sierra as of early September 2015. Growth in the customer base has also seen expansion through existing and ongoing sales of its acquired products, including the Polaris ILS, oriented to large public libraries and consortia, and VTLS Vital, the digital asset management platform.

Innovative has expanded its geographical presence, including a new services and development center opened in Noida, India in September 2013 and significant expansion of its Dublin, Ireland office. Innovative made a strategic agreement with Naseej to promote Sierra in academic libraries in the Arab Gulf region in November 2013. Innovative acquired Polaris Library Systems March 2014 in and VTLS in June 2014.

Emphasis on Long-term Business Success

Following the departure of Massana, Innovative enters a new phase, but one not expected to substantially depart from what has been underway for the past three years. In a telephone interview, Winemiller gave assurances that the Innovative continues as a successful company and that he will be working toward its long-term development. While he recognizes that he has not previously worked with library-related organizations, he brings substantial experience in leading software development companies. Though his tenure as CEO will be finite, he emphasizes that his management philosophy consistently focuses on long-term goals.

Winemiller noted that though his role as CEO at Innovative is new, as an Operating Partner for JMI Equity, he has had involvement with the company since its acquisition by JMI and HGGC. He comes into this temporary leadership role with considerable familiarity with the strategy, operations, and many personnel of the company. Although Winemiller serves on the boards of other JMI portfolio companies, he has not been a member of the Board of Directors for Innovative.

One challenge for Winemiller will be guiding its workforce. Innovative Interfaces has experienced some internal issues since its transition in ownership, while continuing to see positive results as measured by product sales to libraries. This has been expressed both in turnover in the executive ranks

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and employee reviews in some employer rating sites. It is not surprising to see some internal discord following a transition in ownership and executive management that brings in different priorities and strategies.

Winemiller reported that since his arrival into the CEO role, the company conducted an anonymous survey of its employees. Selective results of this survey were provided for this article, including:

- Are you continuously learning and growing at Innovative? Out of 200 responses 163 or 81.5 percent indicated “Yes” with 37 (18.5%) selecting “No.”
- Do you consider Innovative a good place to work? 136 out of 179 responded “Yes”
- At the end of 2014, Innovative reported a total workforce of 416.

From a library customer perspective, Innovative continues to see very strong results in sales of Sierra, especially from libraries migrating from Millennium, as well as from libraries moving from competing products. Given that the confidence in the company providing the product ranks as a major factor in selection decisions, the strong sales for Sierra can be taken as a positive indicator of how libraries perceive Innovative.

Turnover in Executive Team

Innovative has experienced a relatively high turnover in its executive team since its ownership transition. It is not unusual to see some changes in a company’s executive team, but the tenure of many of its top executives have been somewhat short-lived. In broad terms, a new executive team formed after Masana was appointed CEO and was followed by a phase where former Polaris executives were placed in prominent leadership positions. Other changes are part of the expected churn related to circumstances of individual executives.

James A. Hofbauer served as the Chief Financial Officer for many years during the period when Innovative was owned and led by Jerry Kline. It is not at all unexpected that an

incumbent CFO would exit as a company changes ownership and that its new owners would appoint a new person in this role to represent their financial interests. Bryan Urquhart was named Innovative’s CFO in October 2012 and was replaced in June 2014 by Sandy Curry.

Jayanthi “Jay” Shankar joined Innovative as Senior Vice President of Services and Support in September 2013 and served in this position until October 2014.

Chris Le Blanc served as Senior Vice President for Global Sales February 2013 through October 2014.

The acquisition of Polaris Library Systems brought about change in the executive leadership of Innovative. Polaris was an attractive company to acquire due to its extremely successful record of sales in the public library sector and for exceptional product support. Two of the leaders behind that success were appointed to top executive positions for Innovative, displacing individuals that were part of Masana’s initial leadership team. William Schickling became Senior Vice President for Global Sales in April 2014, following the acquisition of Polaris by Innovative, stepping into the role previously held by Le Blanc. Jodi Bellinger, with Polaris since 2004 in a variety of roles of increasing responsibility culminating as VP for Customer Operations, was appointed as Vice President of Customer Support Operations for Innovative in April 2014, stepping into the role previously held by Shankar. Bellinger held this position through June 2015.

Current Status

Innovative Interfaces stands as one of the top companies in the library technology industry and has an promising future. The company’s arsenal includes one of the most popular and powerful products for public libraries—Polaris—in addition to the Sierra platform, which has seen impressive adoption since its release as the successor to Millennium. The company continues to cultivate a loyal customer base of libraries not only in the United States but in many international regions.

That said, the future will not be without significant challenges for Innovative. The abrupt exit of a CEO is a major event which flags attention. It promptly appointed a well-qualified interim CEO from the ranks of its ownership equity firms. The next CEO of Innovative will face the enormous task of establishing effective leadership and earning loyalty from the ranks of its global workforce, but especially in gaining the confidence in its customer base of libraries in the many international regions in which it operates.

SirsiDynix Wins Contract for Public Libraries in Wales

SirsiDynix has been selected to provide its Symphony ILS for all of the public library services in Wales. This project can be counted among the increasing number of national or state-wide initiatives to provide shared technology infrastructure for libraries within a jurisdiction. Although Wales is a relatively small country with a population of just over 3 million, automating all of its libraries through a single ILS ranks as an ambitious project.

The public library services of Wales will offer a single library card to provide access to materials and services provided any public library in the country. This single library card will enable access to e-books and electronic magazines in addition to the ability to borrow and return physical materials from any of the Welsh public libraries. Until the implementation of this national system, residents generally can only borrow materials from the library in their municipality or county.

Winner Takes All

This project consolidated a variety of ILS implementation into a single national system. Most counties in Wales had previously implemented automation systems independently and from different providers. This new national system displaces a variety of incumbent implementations. This win for SirsiDynix comes at the expense of other vendors that have had many years of involvement with public libraries in Wales.

Some of the public libraries in Wales were already using the Symphony ILS from SirsiDynix, including Blaenau Gwent Libraries, Cardiff Library Services, the Monmouthshire County Library Service, Powys Libraries, and Swansea Libraries. These libraries serve 29 percent of the population of Wales (according to 2011 census figures quoted from Wikipedia), meaning that SirsiDynix will move into the remaining 71 percent of the service population, displacing a number of products provided by other companies.

Prior to the implementation of the national project, Infor's Vubis Smart was used by the largest portion of the population of Wales (36 percent). Library services that will migrate from Vubis Smart to Symphony include Bridgend Library Service, Caerphilly Library Service, Carmarthenshire Libraries, Ceredigion County Library Service, Neath Port Talbot Library Services, Newport City Library Service, Pembrokeshire Libraries,

and the Vale of Glamorgan Library Service. Vubis Smart or its newer V-smart product has remains in use in 25 library services in the United Kingdom serving around 400 individual facilities.

The Alto ILS offered by Capita is currently used in six libraries in Wales that serve 23 percent of its population, including Conwy County Library Service, Gwynedd Library Service, Isle of Anglesey Library Service, Merthyr Tydfil County Library Service, Rhondda Cynon Taff Libraries, and Torfaen Libraries. Alto has not been implemented outside of the United Kingdom, but remains a strong system in that country with implementations in 91 library services with a total of around 1,000 physical branches.

Axiell Open Galaxy is currently in place in three libraries serving 12 percent of the population of Wales. These include the Denbighshire Library Service, Flintshire County Library Service, and Wrexham County Borough Library. Not counting the Welsh libraries, Open Galaxy is used in 24 library services in the United Kingdom and their 825 individual facilities.

Current Wales National Projects

Wales has previously launched a national project to provide shared infrastructure for its university libraries. The WHELP (Wales Higher Education Libraries Forum), including the national library, the major university libraries, and those with its National Health Service, announced its selection of Ex Libris Aleph and Primo in December 2014. The consortium announced on June 25, 2015 that Swansea University had gone live with Alma with the remaining institutions to follow through the end of 2016.

Other State-wide or National Projects for Shared Library Technology Infrastructure

Other large-scale projects that SirsiDynix has been awarded include the state of South Australia (1.68 million); the Kōtui project of an opt-in national service in New Zealand that currently includes 25 library services and their 96 individual branches;

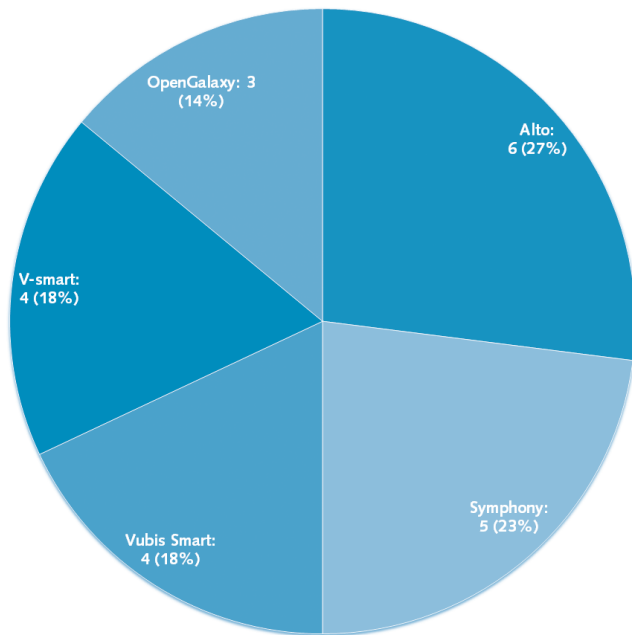
The state of Western Australia initiated a process to consider a state-wide ILS, but eventually decided instead to

Library Services in Wales			
District	Population	Incumbent ILS	Total
Cardiff	345,400	Symphony	
Swansea	239,000	Symphony	
Powys	133,100	Symphony	29%
Monmouthshire	91,500	Symphony	
Blaenau Gwent	69,800	Symphony	878,800
Flintshire	152,700	Axiell OpenGalaxy	
Wrexham	135,100	Axiell OpenGalaxy	12%
Denbighshire	93,900	Axiell OpenGalaxy	381,700
Rhondda Cynon Taf	234,400	Capita Alto	
Gwynedd	121,500	Capita Alto	
Conwy	115,300	Capita Alto	
Torfaen	91,200	Capita Alto	23%
Anglesey	69,900	Capita Alto	
Merthyr Tydfil	58,900	Capita Alto	691,200
Carmarthenshire	184,000	Vubis Smart	
Caerphilly	178,800	Vubis Smart	
Newport	145,800	Vubis Smart	
Neath Port Talbot	139,900	Vubis Smart	36%
Bridgend	139,400	Vubis Smart	
Vale of Glamorgan	126,700	Vubis Smart	
Pembrokeshire	122,600	Vubis Smart	
Ceredigion	75,300	Vubis Smart	1,112,500
<i>Total population of Wales</i>			<i>3,064,200</i>

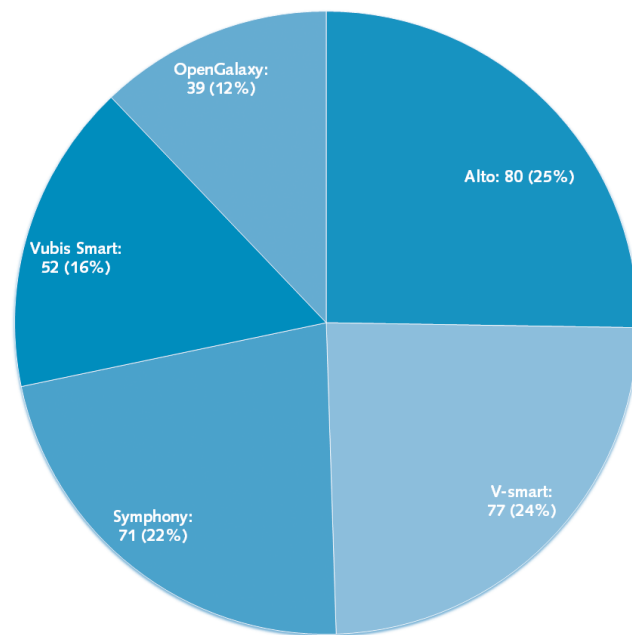
identify a set of qualified products from which library services could select. In August 2015 Civica and Insight Informatics announced that they were among the preferred suppliers with their Spydus and LIBERO products respectively. While there is a trend toward shared infrastructure projects, the outcome of the Western Australia process shows it may not always turn out to be the preferred approach.

National systems that have been awarded to Innovative's Sierra ILS include the country of Ireland (4.6 million population). In July 2015 Innovative announced that 6 of the 30 library services involved in this project have already gone live with Sierra. These library services include those that serve the city of Dublin, South Dublin, Wexford Dún Laoghaire-Rathdown, Fingal, and Kildare.

ILS implementation in Public Libraries in Wales by Library Organizations



ILS implementation in Public Libraries in Wales by Library Facilities



Denmark is in the process of implementing a national library system for most of its public and school libraries. This project was awarded to a Danish company called Dantek in December 2013, which was subsequently acquired by the large IT services firm Systematic (August 2014). A major milestone has recently been accomplished with the implementation of the new shared system (Fælles Bibliotekssystem) for the seven libraries of the municipality of Horsens its completion announced on September 4, 2015. Implementation of the system for the libraries of the municipality of Aabenraa was set for the following week.

The Joint University Librarians Advisory Committee (JULAC) representing the libraries of the eight public universities in Hong Kong has initiated a procurement process for a library services platform to be shared by its members. The tender was issued in July 2015 and will be open through the end of August 2015.

The Scottish Confederation of University Research Libraries (SCURL) has issued a tender for a new library management system. SCURL describes this initiative as a framework agreement, with Heriot Watt University and Abertay University as the lead institutions. Other member institutions may join, subject to a specific commitment at the onset.



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Editor

Marshall Breeding
marshall.breeding@librarytechnology.org
Twitter: @mbreeding

Managing Editor

Patrick Hogan
312-280-3240
phogan@ala.org

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