



Are you in control of your business?

Business Commentary

Version: 1.0

15 May 2001

Sherringham K.

Copyright © IMS Corp. All rights reserved.

IMS Corp.
Asia - Pacific Headquarters
Suite 5 275 Maroubra Road
Maroubra
NSW 2035
Australia

Tel: +61 (0)2 9314 2908
Fax: +61 (0)2 9314 2908
Email: info@imscorp.com.au
Web: www.imscorp.com.au

© Copyright IMS Corp. All rights reserved.

All referenced trademarks are those of their respective owners.

This document is for information purposes only and any advice given is of a general nature only and may not be applicable to an individual or a specific situation. IMS Corp. accepts no responsibility for any consequential loss or damage arising from the use of this document.

Abstract

Whether it was the “gods in white coats” of the mainframe days or their reincarnation as e-kiddies in the Dot Com era, user dissatisfaction with IT is increasing. As long as IT continues to drive business instead of the business driving IT, this trend will continue. Poor customer service, increasing hidden costs, use of disparate non-integrated IT solutions and out-sourcer dependency are a legacy of IT seen across business yet this has not been enough for users to regain control. Is the stifling of knowledge the one that will see the change? Use of standard business procedures like accountability, executive reporting, cost recovery and performance driven contracts are all key to lowering hidden costs and business gaining control of its operations. Who will be recorded as having the appalling indictment, IT or the user?

1 The tide of frustration

Industry analysts and commentators are noting a distant rumble and are pointing to a change on the horizon: the rising tide of user frustration with IT. Yet users have been frustrated with IT for years. Whether it was the “gods in white coats” of the mainframe days or their reincarnation as e-kiddies of the Dot Com era, a tide of frustration, increasing hidden costs and business inefficiency has existed. Non of this has been enough for some businesses to take control of their operations. At what point are users and business going to stand up and take control of IT, instead of letting IT drive them?

2 Customer Service

Lets start at the beginning with customer service. Those of us that remember the mainframe days can recall the unattractive interfaces, the slow centralised systems, the non-responsiveness of mainframe suppliers to the evolving demands of business and the secret society of the “gods in white coats” who made you feel inferior as you stood in line. The fact that you were proficient at your job was not enough; it was ok for the IT team to know nothing about your speciality but you were expected to know all about IT, you had to know both your job and theirs before your existence was recognised.

If users felt annoyed by the “gods in white coats”, they had seen nothing yet. Being on hold on the phone for up to 40 minutes for technical support seems to be an industry wide accepted practice. No matter who was at fault, the automatic assumption by the technical specialists that the user was wrong, stupid and the cause of the problem became away of life. Telling users untruths (because it was thought that did not know better or the Techies did not want to do it), the use of technobable to confuse a user and more are all too familiar.

Reported surveys of customer satisfaction with IT departments repeatedly show a very low satisfaction rating. One IT department was famous for only accepting requests by e-mail or through a Web form - no calls or going to see them. Naturally they received few complaints because you were not able to make contact with them. Other classics included the need for a user name and password to login so that a form could be filled in to request a user name and password. The list of customer service classics is endless.

If sales people and customer service representatives within an organisation treated their customers in the same way that IT has treated its users, the company would go bankrupt. Yet the problem exists and is not resolved.



3 The upgrade spiral

The next area of IT that causes problems for business is the upgrade cycle. Many users are not interested in the latest and greatest, they just want it all to work and to get on and do business. The fact that applications are increasing in complexity is a frustration to the user. Surveys show that more and more features are being added to applications only to see them used by fewer and fewer people.

Multiple software releases a year is still considered socially acceptable (one or two major releases is all one needs) and the use of software upgrades to force hardware upgrades is championed by the IT industry. The release of Windows XP is just the latest example of this and is a reflection of the mismatch between users and IT. Whilst cost has started to slow the upgrade spiral, IT still widely champions it.

4 Non-performance

The business press is full of stories of IT projects that are running late, over budget and have yet to deliver. Surveys report on implementations that have failed to deliver the required cost savings that have not been integrated into the business and have increased costs. The trend to electronic customer relationship management (E-CRM) packages that have been implemented and are not used, the data warehouses that became data dumps and more are all well known.

The issues with this non-performance and a failure to integrate into the business are common place and often remain unsolved.

5 Out-sourcing

Out sourcing is part of business and considerable benefits and savings can be achieved through it. Whilst some companies have successfully out-sourced their IT services others have failed and user dissatisfaction is at record levels. One problem with out-sourcing is that the ability to problem solve is lost, i.e. key corporate IP now resides with an out-sourcer.

Out-sourcing was seen as one of the ways to solve the problems of IT performance. Without the business issues being questioned, the problem was just transferred to the out-sourcer. Not only does the problem still exist, not only is there an additional layer between the business and IT but is it in the interest of the out-sourcer to solve the problem of a client when they can keep billing under the status quo.

One of the out-sourcing classic was the renegotiation of a contract that enjoyed a 90% dissatisfaction rating that resulted in increased cost of out-sourcing and the addition of a layer of account managers (who's role is to sell more services) - Non performing IT renegotiated the contract. Another classic is an internal project manager who has to manage the required resources through another project manager provided by the out-sourcer.

Three years into a five year out-source contract and the unit costs are starting to hit the exponential part of the cost curve. Perhaps another few years on the exponential curve of increasing costs is what is required by business before it will endure the pain associated with breaking the out-sourcer dependency.

6 Dot Coms and e-kiddies

The use of IT to drive business instead of business driving IT was epitomised by the Dot Com era. These e-kiddies (who can be seen as the spiked hair and jeans version of the IT "gods in white coats" from the mainframe days) made you wait in line to have Web sites built etc. and if you didn't know what they were talking about, well you were just told what to do. What was even worse about the e-

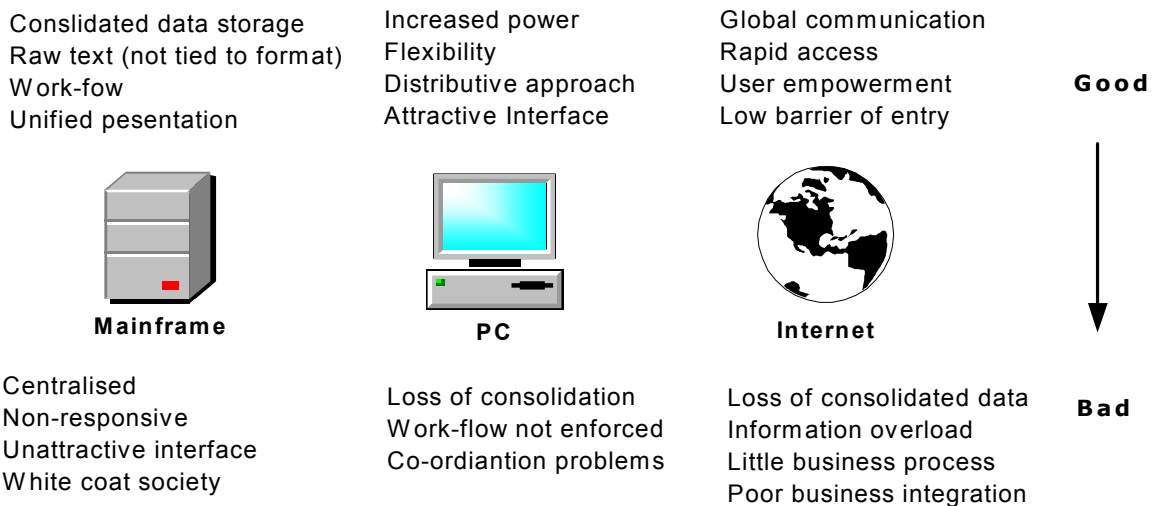


kiddie activities was that you were told how to run your business. Yet as we all know, the Dot Com practices have increased hidden costs and increased the duplication of effort. The practices of disregarding existing infrastructure, implementation of disparate point solutions, abandonment of proven business procedures, the use of manual processes to cover for disparate systems and the replication of information in multiple formats have all increased hidden costs. These are just part of the Dot Com legacy business now needs to address.

The fact that conservative companies, who usually require exhaustive contracts and performance criteria in place before they hand over any parts of their operation to an external party, simply handed their business over to people with little or no proven track record, will be one of the things that history will note about the Dot Com era. Would you hand your business over to someone who spoke a foreign language and you could not understand what they were doing? The answer is of course not. Yet this happens on a routine basis because it is IT.

7 Knowledge Legacy

If the proceeding discussion is not an appalling indictment of IT and the IT industry then the real legacy of the impairment of expansion, management, development and application of knowledge and the demise of collaboration will surpass all of these.



To see the impacts of this legacy look no further than your everyday activity. How long do you spend trying to find things? How frustrated do you get when you can't find the information your looking for? How much information is locked away on a PC that you can not get at or know nothing about? How often do you recreate things only to be told that it already exists on a colleague's computer? Whilst the hidden costs of these may be important, the real impact is upon the inability to share knowledge and collaborate.

8 Increasing hidden costs

Much of the problem revolves around IT driving the business instead of the business driving IT. In a manufacturing plant the assembly line does not design the product. The business drivers design the product and the assembly line is designed to make the product. Contrast this with common business experience, where disparate non integrated IT solutions are implemented. Not only are there issues with business integration but these IT solutions (the "assembly line" for the knowledge workers) is expected to work effectively and efficiently, to deliver product and to lower costs. As long as business



allows IT to drive the business instead of the business of the business driving IT, hidden costs will continue to increase.

9 Obtaining accountability

As with all areas of business, accountability is required. Starting at the top of the organisation, why do IT and the IT department(s) not report to the board of directors? Why is an executive or non-executive director of IT seldom present on the board? Why do boards of directors not have oversight on key issues like strategy?

Annual reports detail the performance of all aspects of the company, yet IT is seldom included. Making IT expenditure and performance an issue in the annual report, subject to review by shareholders and more are a good first line of control on IT.

Whether it is sales staff on commission, senior managers on performance bonuses or management of accounts receivable on the size of outstanding debts; performance driven contracts are common within business. Why does this not extend to IT and IT departments? Performance should not only cover response times and customer satisfaction but issues like quality of service, integrity of hand-offs and cost savings realised.

Another way of obtaining accountability is through use of the budget. If a company does not meet the demands of its customers, its cash-flow dries up. Having IT departments operate as customer driven, cost recovery activities is a good way of obtaining accountability. Resources for IT are allocated within the budgets of the business lines, who purchase services from an in-house cost recovery department. Such an organisation should be cheaper and should provide better service than an external party. If the services provided are not satisfactory, the lines of business would have the right to source services elsewhere. Some aspects of IT departments however, will still need to be supported through core funding and capital expenditure.

The use of out-sourcing and out-sourcer dependency for IT is another area of operation that needs to be resolved. So long as problem resolution (the ability to think and accountability) is kept in-house, solution delivery can be done by the most cost-effective solution. Where the whole operation has been out-sourced, key corporate IP is no longer in control of the business and this is a source of increasing costs. Bringing control of key components back in-house, e.g IT strategy and project management, is pivotal to braking the loop of out-sourcer dependency and increasing costs.

10 Need to act

Whilst a few or all of these issues mentioned may exist within an individual business is not the issue. The fact that such a litany is seen and strikes accord with so many users is. Whilst the blame may be placed on IT for the problems, the real questions are:

- When is the discipline imposed upon all other aspects of the business going to be applied to IT?
- When is business going to stand up and drive IT?
- When is business going to stop handing over control of their operations to people just because they speak a foreign language and you can't understand them?
- Why did business let the problems arise and allow the situation to persist?
- What level of shame will business and users endure before they stand up and act?
- Is it an appalling indictment of IT and the IT industry or is it one of business management and business ineptitude?

