

BEYOND "MAKE IT SO":

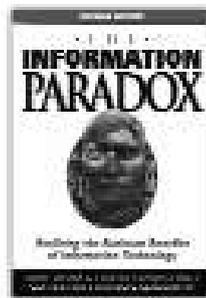
finding the value in IT



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 Paradox*

Adapted from John
 Thorp's address to
 CEDA in Melbourne,
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The amount of money we spend on IT keeps increasing, and yet we continue to ask, "What are we getting for this money?" IT expert John Thorp talks about the gap between strategy and reality.



When we published *The Information Paradox* we actually wanted to call it *The IT Casino*, because the odds of getting return on IT investments historically have been worse than the odds at a casino.

The publishers thought it trivialised the topic. But I think organisations today have a serious addiction to gambling when it comes to IT investments. *The Information Paradox* was about the fact that we continue to spend money on information technology, the amount we're spending is increasing, and yet we continue to ask: "What are we getting for this money?"

What we need is optimal value at an affordable cost with an acceptable level of risk. And to get this we need to recognise that we are not investing in IT. We are investing in IT-enabled change. And that is very, very different.



PHOTO: PHOTONET

IT has evolved through three phases, from automation to information to transformation. It's a much-abused word, transformation, but it's the one I'm going to use here.

In the days of automation you could automate within silos in your organisation, you could automate payroll, you could automate some sort of bookkeeping activity. You got some productivity benefits; you could get rid of a few people. In the age of information we started to provide information to people. Now that information is of no value unless you train them how to use it. We tended not to do that. And information also started to spread across organisations, across the silos.

Today we have reached the transformation phase, and I think today that we're hitting a ceiling. The transformation that we can get today from things like supply chain management, from customer relationship management, from business intelligence, enables us to empower our employees, those people on the ground, to better deliver products and services across the organisation, cutting across the silos. And yet most of our organisations are still organised, governed and managed in a siloed, hierarchical way. We have a disconnect between the way IT can really deliver value and the way we organise our organisations. And until we recognise and manage that, we're going to continue to hit a ceiling in terms of IT value. And we're going to continue to ask: "What do we have to do to get IT value?"

The Gartner Group estimates organisations waste \$A800 billion a year on ill-conceived IT projects. And that's just wasted cost, not opportunity lost. If you spent that money on things that

worked, on better-conceived projects that delivered value, that would drive value to organisations.

It's *not* about IT

Discussing IT-enabled change, we strike a problem with labels. The minute you put IT in front of something it's an IT problem. IT value? That's an IT problem. IT strategy? IT governance? That's an IT problem.

But it's not an IT problem. I'm not saying there are no problems in IT; there are, and we need to fix them. But the answer to the problem of IT-enabled change is to recognise it's not about IT. It's about how we use IT to contribute to enterprise value. It's about strategic governance, it's about managing the enterprise in an integrated way and breaking down those silos, connecting the dots, having an enterprise strategy of which IT is the part, and having an enterprise architecture of which IT is a part. If we're going to truly optimise enterprise value we have to take broader approach – an approach we call strategic governance.

Governance is about continually asking these four questions: Are we doing the right things? Are we doing them the right way? Are we getting them done well? And are we getting the benefits? They're very simple questions with very complex answers.

I feel a bit guilty sometimes asking this are-we-doing-the-right-things question, because I'm not sure there's always one answer to: "Is this the right thing?" But if you ask the question "Are we doing the right things?", you get rid of a hell of a lot of wrong things that you shouldn't be doing.

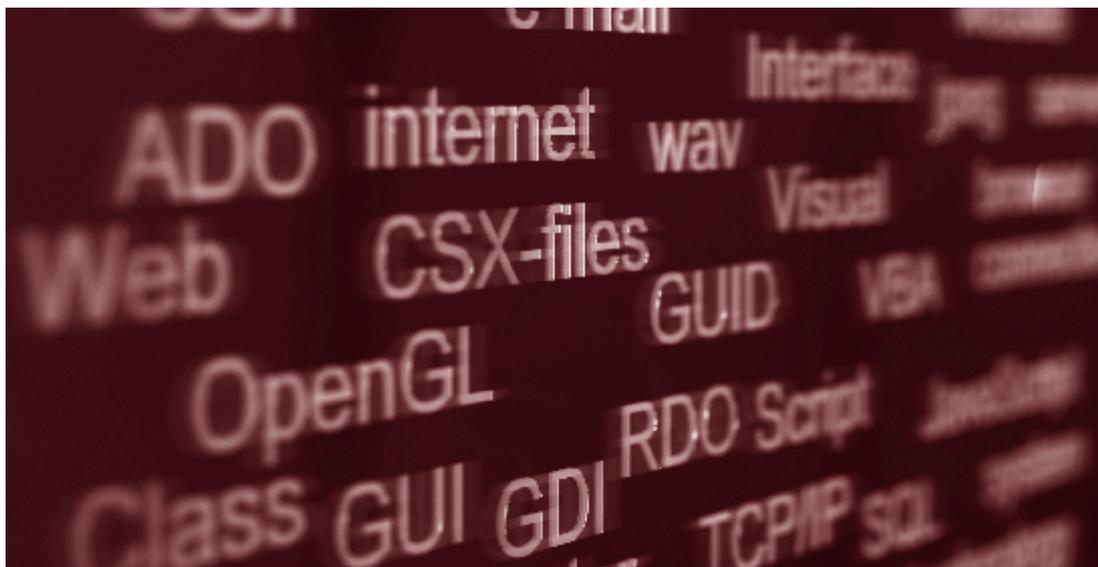


PHOTO: ISTOCK

Setting the course and taking fixes

The word governance comes from a Greek term meaning “to steer a ship”. When you’re setting out on a trip in a boat, you start by saying, “Where do I want to go?” Then you plot a course that will hopefully avoid significant land masses and water that is not deep enough for your vessel, and commercial channels where there may be a lot of traffic. And then you plot what are called dead reckonings that say, “On about an hourly basis where do I expect to be?” And then you set off and about an hour into the journey you take a fix. And guess what: when you take a fix, you’re not where you thought you were going to be.

Now in the business world we tend to say, “It’ll be okay, we’ll get back on course”. But hope is not a method. When you determine you aren’t where you expected to be, you need to say “Why am I not where I’m expected to be? Can I get back to where I expected to be? What is the impact of that change? What is the impact if I can’t get back on course?”

That to me is really what governance is about. Understanding where you want to go, understanding how you’re going to get there, putting some dead reckonings in place – and when you aren’t where you expect to be, taking some action, which could include stopping what you are doing. When we hear of organisations, some of them in this country, which have spent \$300 million, \$400 million, \$500 million on IT investments that have gone nowhere, do you think there might have been some indication of that a little earlier than \$600 million down the road? Why didn’t we do something about it?

In many cases when we’re implementing large systems like customer relationship management or supply chain management, we are in many ways managing an uncertain journey to an uncertain destination. We set off with an idea of where we’re going and how we’re going to get there. But by the time we get there it’s not where we thought we

were going to go, and we didn’t get there the way we thought we were going to get there. That isn’t bad, if you manage the journey. But if it’s three years down the road and you wake up somewhere where you didn’t want to be, and you have to explain to a lot of people why you’re there, that isn’t very good. That’s what governance is about.

Star Trek leadership: It only works on TV

We have a big disconnect today between strategy or statements of strategy and what’s actually going on, on the ground. You have what I call the Star Trek school of management. When Captain Picard says he wants something done, what does he say? “Make it so.” In real life, this would normally mean ten people run out of the room all with a different idea of what “it” is, and they would get very busy – but we don’t ever get “it”. The chief role of a senior executive or a CEO in that situation is to make sure nobody leaves the room before they understand what “it” is, to be sure that what they’re doing has a pretty good chance of producing the “it” that he or she wants, and that there’s a process in place to manage the journey.

Every week I read articles in *ComputerWorld* or the *Financial Times* or whatever that say, “We implemented customer relationship management. It took us two years. And you know, at the end we worked out it wasn’t about technology – it was about change.” How often do we have to read that before we get it? We continue to focus on the technology, and not do the organisational change that’s needed, the “it” we want to get to. When you’re implementing customer relationship management, for instance, if you don’t actually rethink your business in terms of your relationship with customers, you don’t redesign your processes, you don’t retrain or replace your people, you don’t reorganise and a bunch of other things, you are going to get no value out of that.

“How much of your IT spend in this country is creating no value for the organisations or society or the economy? The Gartner Group estimates organisations waste \$A800 billion a year on ill-conceived IT projects.”

Managing change is the most talked-about, most written-about, least done thing in organisations today. I would suggest that change management in a major change program accounts for at least 30 per cent of the effort. And if you don't build that into the budget and the schedule and the resources, you're going to fail miserably.

We have talked about this stuff *ad nauseam*. We know the problem. I believe we know what we have to do about it. So why aren't we doing it?

I did a study in the US with the Society for Information Management, involving a lot of well-known companies. The issue that really came to us from that study was lack of business engagement. What do you have to do to get the business to understand that business change programs are the responsibility of the business? That the business has to do 85 per cent of the work to realise the value of the 15 per cent of the work that is IT is enabling? That if they don't do that, you actually shouldn't be doing the IT stuff. What do we have to do to make that happen?

Larry Bossidy, who wrote *Execution: The Discipline of Getting Things Done*, says, "The detail work is not beneath the dignity of a business leader".

We would all love things to be simple. But when you're, say, revamping your entire supply chain, that's very complex. You can't deny it. What happens when you deny complexity? It gets worse. Albert Einstein said everything should be as simple as possible, but no simpler. There is a difference between simple and simplistic. We would love someone to come and tell us there's a simple solution to my complex problem. Unfortunately the vendors do that all the time. I was in Malaysia and this very senior bureaucrat said, "The trouble is the vendors oversell". I said, "No, the trouble is you overbuy". When you want something to be simple and someone tells you it's simple, you like to hear that.

Don't believe that you can just say, "Make it so".

Facing responsibility

This is an economic issue. How much of your IT spend in this country, which is a huge spend, is creating no value for the organisations or society or the economy?

Had I written down 20 or 30 years ago what I thought the world would look like in 2005 – how organisations would operate, what jobs would look like, how health care would be delivered, how education would be delivered, how policing would be done – I'd look at it now and think that I was smoking something. We have not got anywhere near to tapping the potential that IT can enable.

Leaders have to do what is best for their enterprises and organisations. And I'm not naive enough to think that isn't damn hard. But I'm idealistic enough to think it's worth doing. We will be shirking our responsibilities if we don't continue to push for a better way of doing this.

IT management's history of failure

"The economic costs of IT complexity are hard to quantify but probably exorbitant. The Standish Group, a research outfit that tracks corporate IT purchases, has found that 66% of all IT projects either fail outright or take much longer to install than expected because of their complexity. Among very big IT projects – those costing over \$10m apiece – 98% fall short.

"... Tony Picardi, a boffin at IDC, yet another big research firm, comes up with perhaps the most frightening number. When he polled a sample of firms 15 years ago, they were spending 75% of their IT budget on new hardware and software and 25% on fixing the systems that they already had; now that ratio has been reversed – 70–80% of IT spending goes on fixing things rather than buying new systems."

Economist, "Make it simple", 30 October 2004

"This year's results show that 29% of all projects succeeded (delivered on time, on budget, with required features and functions); 53% are challenged (late, over budget and/or with less than the required features and functions); and 18% have failed (cancelled prior to completion or delivered and never used)."

The Standish Group International,
2004 Third Quarter CHAOS Report



"Nine-tenths of the costs and nine-tenths of the benefits of big IT projects are not in computer hardware or even software. They're in the organizational and human capital changes."

Professor Eric Brynjolfsson, Massachusetts Institute of Technology's Sloan School of Management

See http://www.gartner.com/research/fellows/asset_124138_1176.jsp