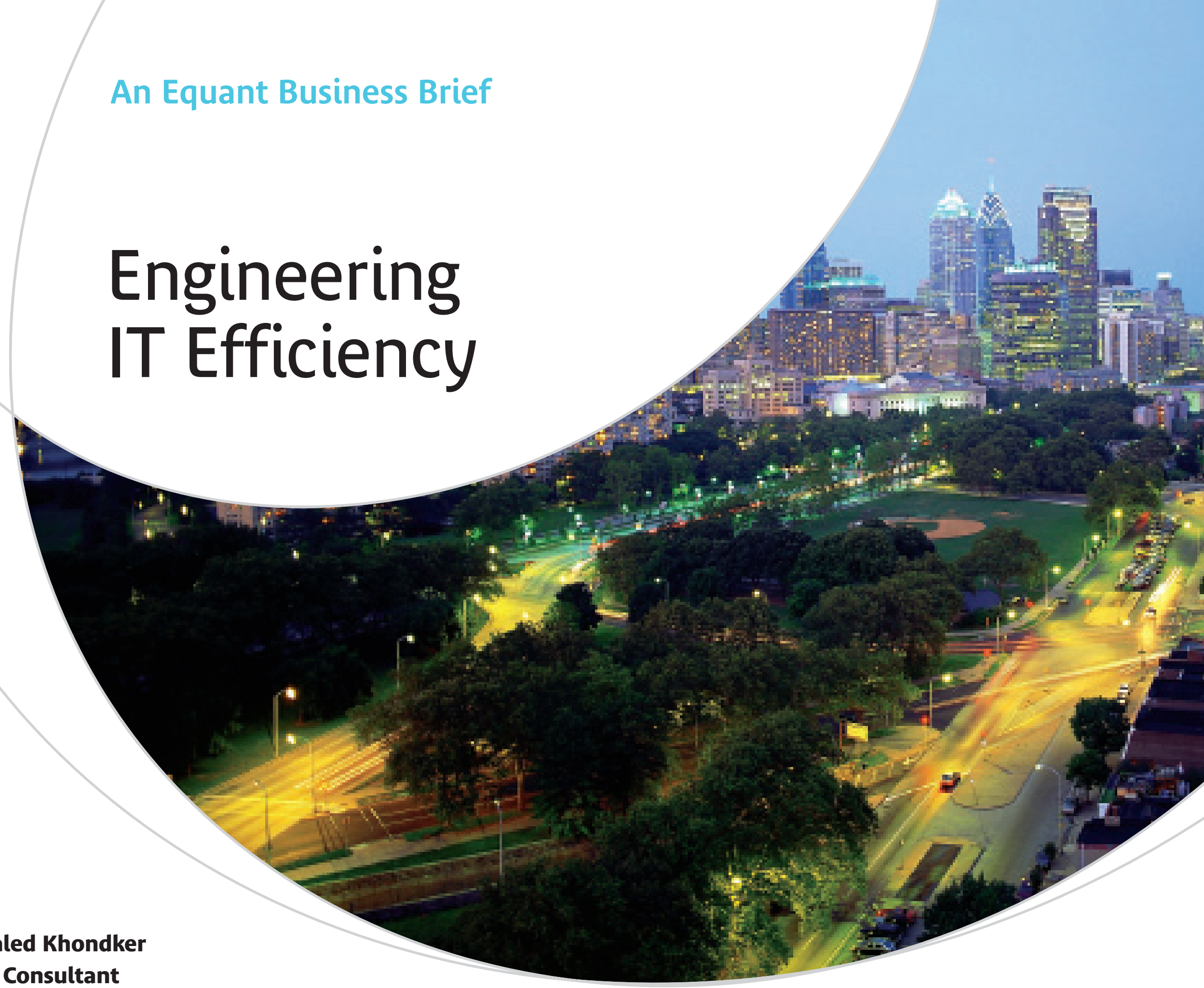
An Equant Business Brief

Engineering IT Efficiency



By Khaled Khondker
Senior Consultant
Professional Services NAM, Equant

With all the challenges facing today's large corporations it is more important than ever before to build efficiencies into IT infrastructures and reverse the negative opinion that IT is nothing but a "necessary cost".

Is investment in IT money well-spent or cash down the drain? A controversial question, perhaps, but when a highly regarded publication such as the Harvard Business Review raises the bar on corporate IT thinking with an article headlined "IT doesn't matter", you know it's time to sit up and take a closer look.

Of course, the Harvard Business Review wasn't declaring the end of IT in the corporate sector, but rather the article's author Nicholas G. Carr was stating that the ready availability of "even the most cutting-edge IT capabilities" means your organization's technology is no longer delivering the competitive advantage it perhaps once did, especially if you were an early adopter.

What he argues, essentially, is that investment in IT today simply ensures you stay in the game; it gives your business parity with those peers who have similarly invested. To turn that investment into competitive advantage requires something else.

He's correct, of course, but what is it that will put IT back on the boardroom agenda as something that really adds value? What will make senior management perceive IT-spend as a crucial business enabler rather than a necessary cost? Carr suggests the problem is that "companies have become sloppy in their use of IT".

This claim deserves further exploration. Is it a case of familiarity breeding contempt, as Carr seems to suggest? Or is there more to it?

Carr implies that IT is "plug and play", but the reality is more complex. Yes, there is much available on the shelves, but successful implementation requires significant customization. It also has to address existing business processes and act as a catalyst to rethinking those processes.

For the CIO the main focus must be first on assessing the efficiency of the existing processes (identifying and redressing the "sloppiness" referred to by Carr) and then on determining how rapidly the organization can adopt new technology.

In search of efficiency

IT efficiency can be measured from the perspective of two different "clients": (1) external, such as customers, suppliers and partners; and (2) internal, the organization's own employees and business units.

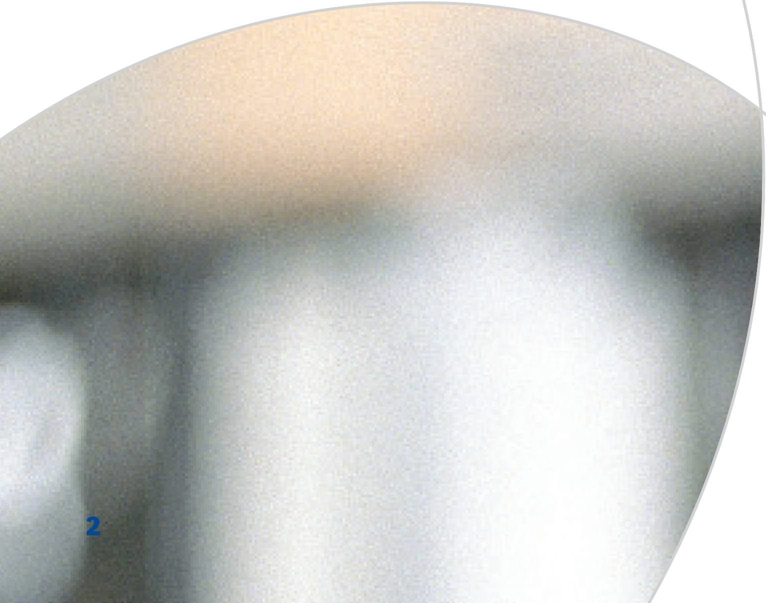
The external client wants to know that their partner or vendor has a single, consolidated view of them. The CIO needs to ask whether the infrastructure:

- Gives the client access to all relevant and appropriate information
- Prevents the same information from being provided repeatedly
- Makes it possible for the client to leverage investment and spending
- Empowers clients with just-in-time information

For the internal client, the CIO must consider:

- How effectively business units share data
- How much duplication of data there is
- How effectively information is handed from one group to the next
- What percentage of transactional or repetitive tasks have been automated
- Do IT processes represent industry best practice

This assessment will be the yardstick by which an organization's IT and business operational efficiency is measured. In many instances, there's no doubt that IT can have a positive impact on business efficiency, streamlining operations and significantly influencing the viability and profitability of companies. But where it often fails to meet expectations and where inefficiency creeps in is in the collaboration between the IT department and other business units.



Globalization is a good example of this. It was (and still is for companies considering the emerging markets of Asia and Eastern Europe) a major corporate trend at the end of the 20th century. With the dust settling on this first phase of globalization, what has followed is a greater awareness of inefficiencies across global networks, where fragmentation of services, suppliers and internal procedures is proving costly – it was often the case that local working practices, supply agreements, systems and even pricing tariffs remained unchanged.

Today, companies are leveraging their global footprint and operating as single entities rather than as regional companies and multiple business units within them. CIOs are in the strategic position to provide the necessary leadership and vision to drive this process still further.

Identifying inefficiencies

Globalization isn't accountable for all the IT inefficiency within large organizations. A lack of strategic vision for how IT can support corporate objectives is often a stumbling block. Or perhaps too many people are involved in the procurement process, with different offices making their own decisions based on departmental rather than group needs. Multiple network providers, telecoms solutions, and IT hardware and server brands – the list goes on.

So how does an organization's CIO or IT director reverse the trend and drive out inefficiencies? The starting point is to address some of the "low hanging fruits" – those areas with the greatest potential financial and operational impacts. Key areas CIOs should review include:

- Standardizing network services and remote access around the world
- Streamlining security policy and architecture as well as Internet access
- Leveraging data networks for voice and video traffic
- Improving vendor management and service level agreements

These areas are not trivial or "quick-fix" undertakings, but CIOs can look outside the company for these services. They can leverage specialized service providers to obtain immediate reductions in TCO and improved service levels.

There are other "remedies" that require much greater investment and planning, but they are essential to the long-term effectiveness of the organization. They also go well beyond the scope of the IT division and need to bring together various business groups and executive management. They include:

- Migration to open standards systems and platforms
- Interoperability between different back-end systems and sharing of vital data between different business units to minimize cost and maximize revenue potential
- Portability of information and processes across geographies and media to ensure uniform processes across the globe and the same level of access to information from office, web or home
- Investment in self-service portal for clients, partners and employees
- Partnerships with service providers with expertise in specific areas

The dual work stream model allows the CIO to realize some immediate cost savings and operational improvements while investing in structural and process reengineering which will result in long term efficiency gains.

Technology adoption rate

Much has been said about Moore's Law regarding the uptake of new technology and we see it in our everyday life – our cell phones, computers, pocket PCs and video games. The challenge for CIOs is to determine how to effectively adopt the emerging technologies to increase efficiency within their organizations. There are two factors that significantly influence the ability of companies to adopt new technologies: (1) their culture and people; and (2) their architecture and internal processes.

Emerging technologies such as broadband Internet access and mobility-related technology present significant opportunities for companies. But the cultural and human resource issues will influence adoption of this technology. Unless the CIO works with the HR and business unit manager to develop tools and systems that address these issues, companies will not benefit from their adoption.

Modular processes

Another success factor in the adoption of new technology is the identification of discrete, modular processes that will allow companies to leverage new automation tools and human resources across the globe. Modular processes must have some well thought out goals and deliverables, well defined outputs, clearly understood "linkage" to adjacent processes and functions, and clearly defined cost or revenue objectives.

The CIO needs to work with the organization's business units to convey the capabilities of emerging technologies and work with the managers to define discrete processes that enable more efficient and cost-effective solutions.

Modular processes will have the same effect on IT processes as the OSI stack had on adoption of new technologies in the IT field. It allows clients to swap different process modules based on advances in technology or developments of service providers who specialize in specific business processes.

An IT-driven future

There's no doubt that an organization really feels the impact of its IT and communications infrastructure when there is a clear focus on what it delivers – or could deliver – to the business. It would be naive to think that any CIO of a large corporation sees his or her organization's infrastructure as merely a way to communicate and store information. And yet, there continues to be a significant level of inefficiency within corporate IT and communications.

Happily the tide does seem to have turned. From the rush of early IT implementations, through more recent cynicism and a concern that IT was necessary but costly, to a more measured understanding of the benefits of IT. ©The Economist Intelligence Unit's CEO Briefing: Corporate Priorities for 2004 states that "95% of survey respondents regard technology as essential or important to their business goals". The tide is turning.

The task now for CIOs is to keep the momentum going and ensure that their IT and communications infrastructure really does enable business success in the future. With the CIO working in tandem with business units and HR teams to address both technical and business process issues as well as managing the cultural and structural aspects of adopting new technology, success is in sight.

Equant Regional Offices

Americas
Atlanta
400 Galleria Parkway
Atlanta, GA 30339
USA
+1 866 849 4185 Tel

Washington, D.C.
2355 Dulles Corner Boulevard
Herndon, VA 20171
USA
+1 866 849 4185 Tel

Europe
Slough
Betjeman Place
217 Bath Road
Slough, SL1 4AA
United Kingdom
+44 (0)20 8321 4000 Tel

Paris
190, avenue de France
75653 Paris Cedex 13
France
+33 1 46 46 90 00 Tel

Asia
Singapore
No. 6 Temasek Boulevard
#38-01 Suntec Tower Four
Singapore 038986
+65 322 9288 Tel

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