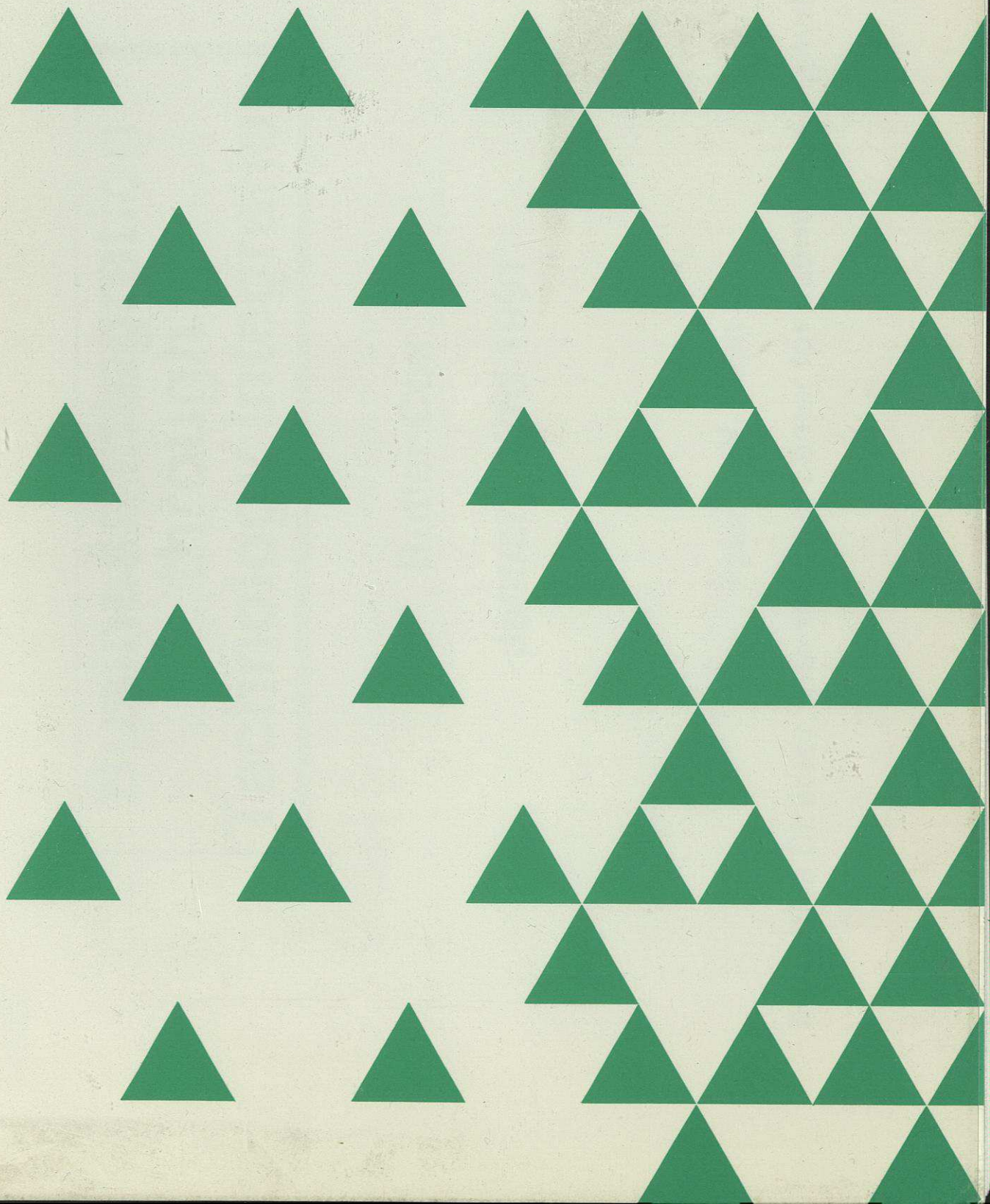
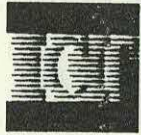


Directors' Exchange  
A Day with Peter Keen

BUTLER COX  
FOUNDATION

Down Hall, Hertfordshire  
22 - 23 January 1991





**The International Center for Information Technologies**

# **Business Integration through Technology Integration**

**Butler Cox**

**January 23rd 1991**

**Peter G.W. Keen**

**Executive Director, International Center for Information Technologies**



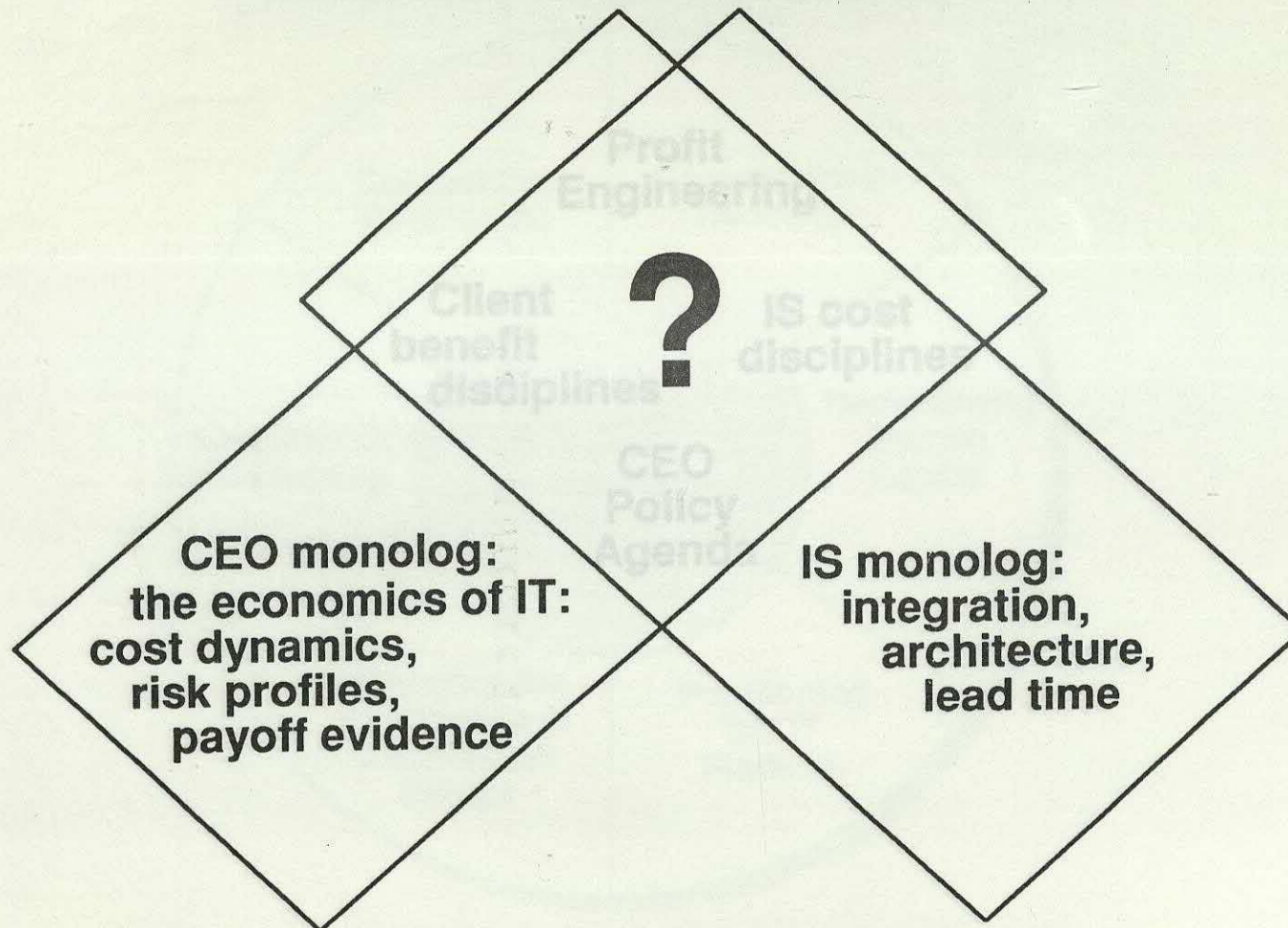
# The International Center for Information Technologies

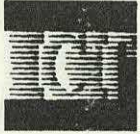
## The Mainstream Business Realities of 1993

- 25%-80% of cashflow on-line
- Electronic Data Interchange as the norm
- Point of sale and electronic payments as one facet of core services
- Image technology as an operational necessity
- Distributed work
- Location independence
- Electronic partnerships
- Technology risk is business risk



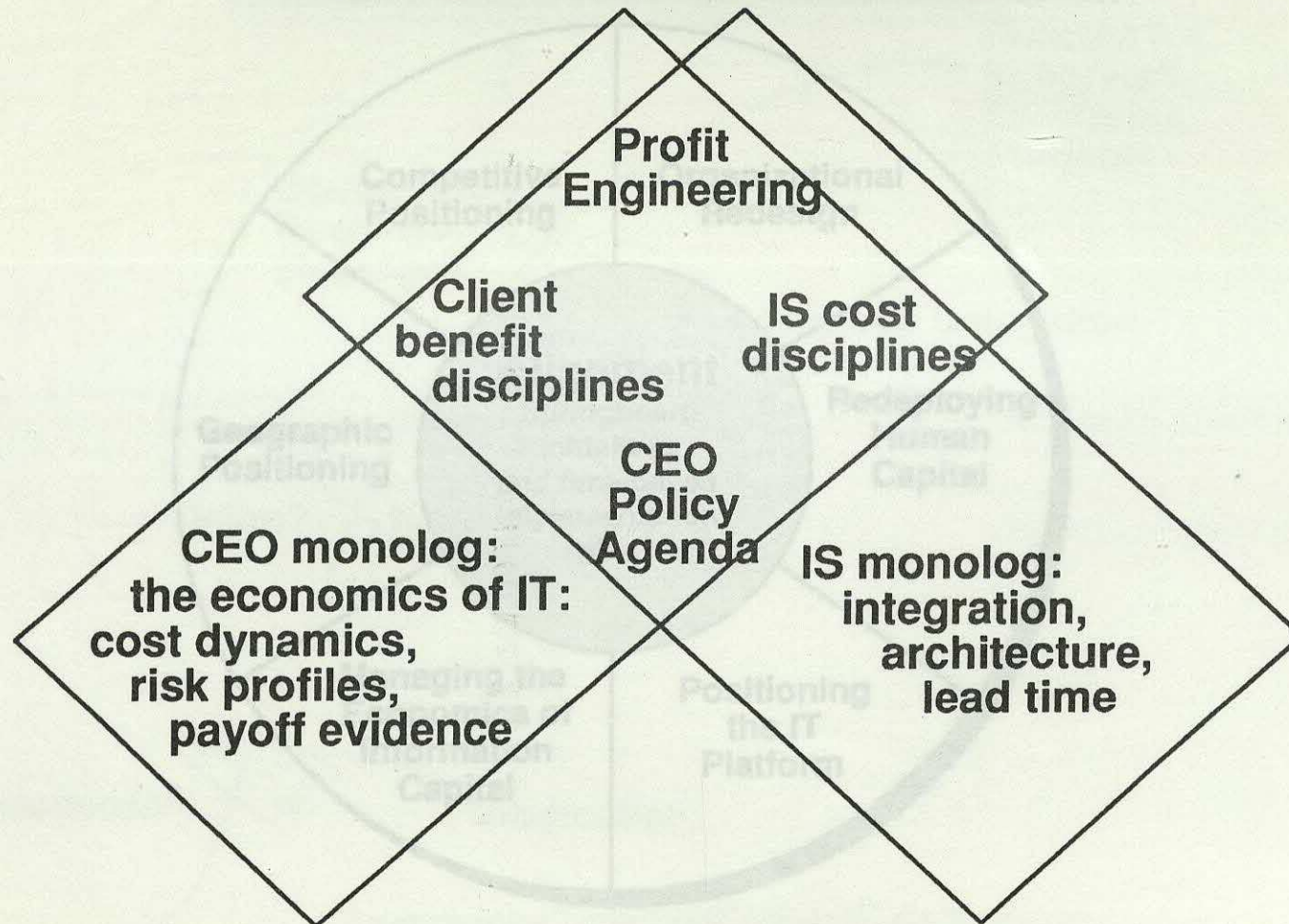
## The Executive Monologs

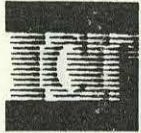




# The International Center for Information Technologies

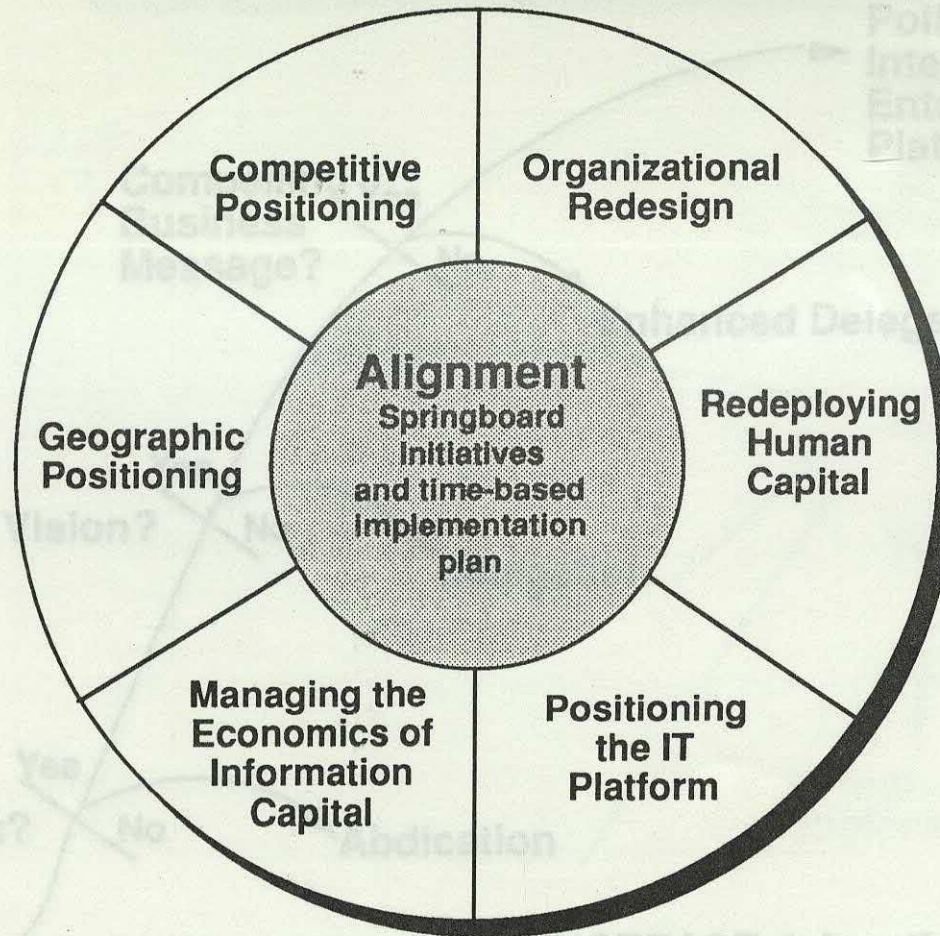
## The Executive Dialog

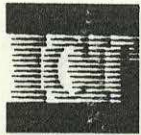




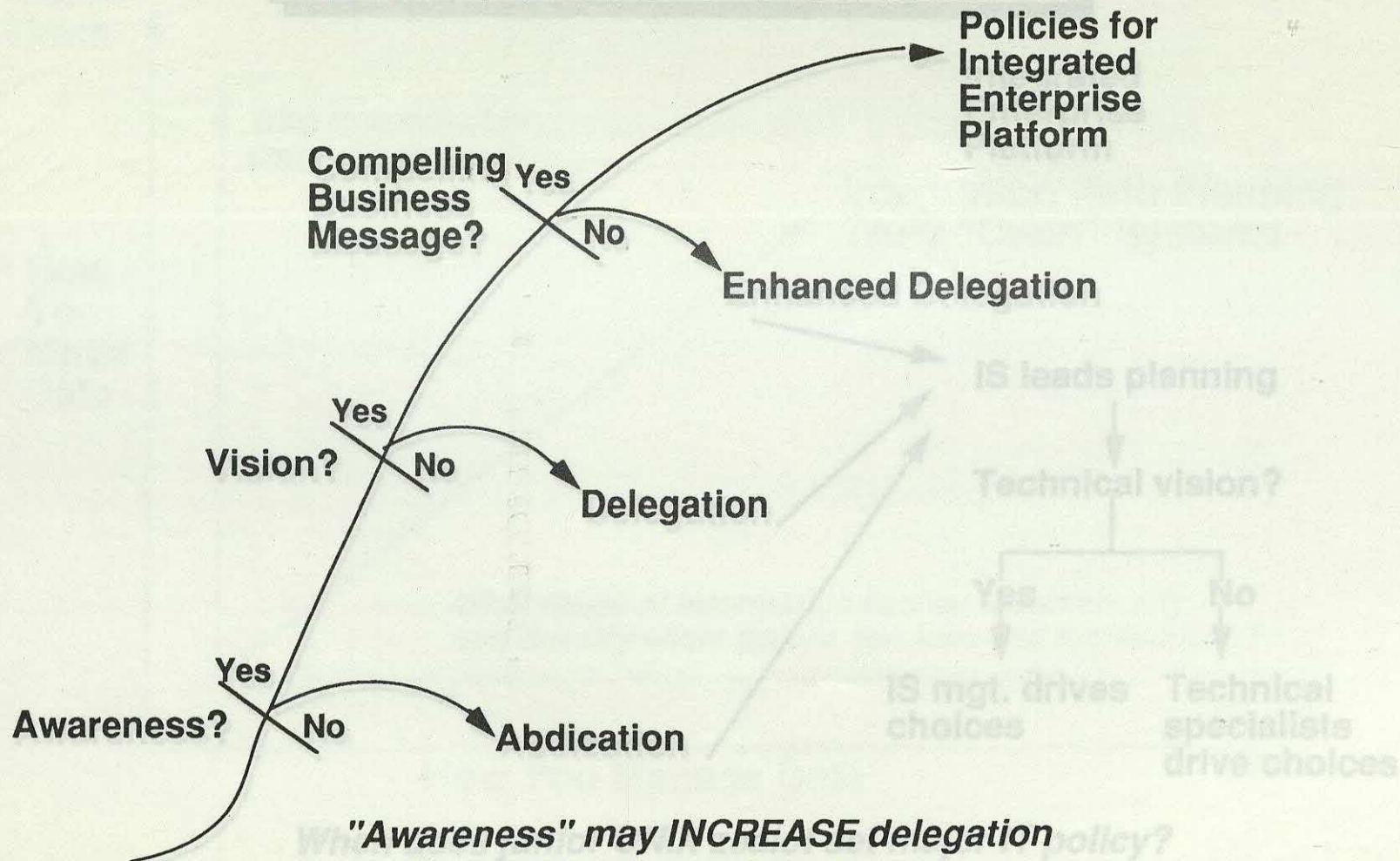
# The International Center for Information Technologies

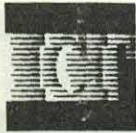
## Business Design via Information Technologies



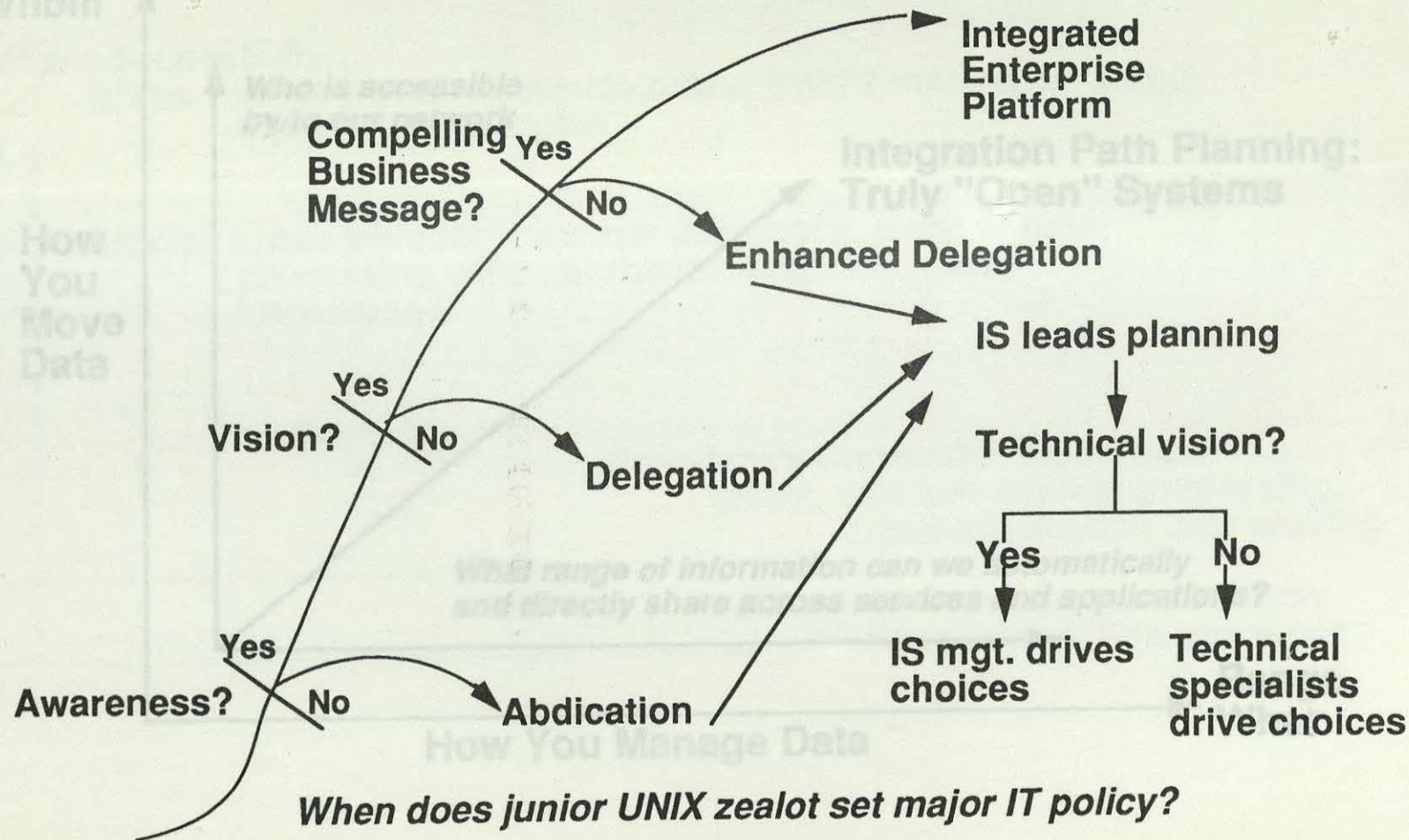


## Senior Management Decision Process for IT





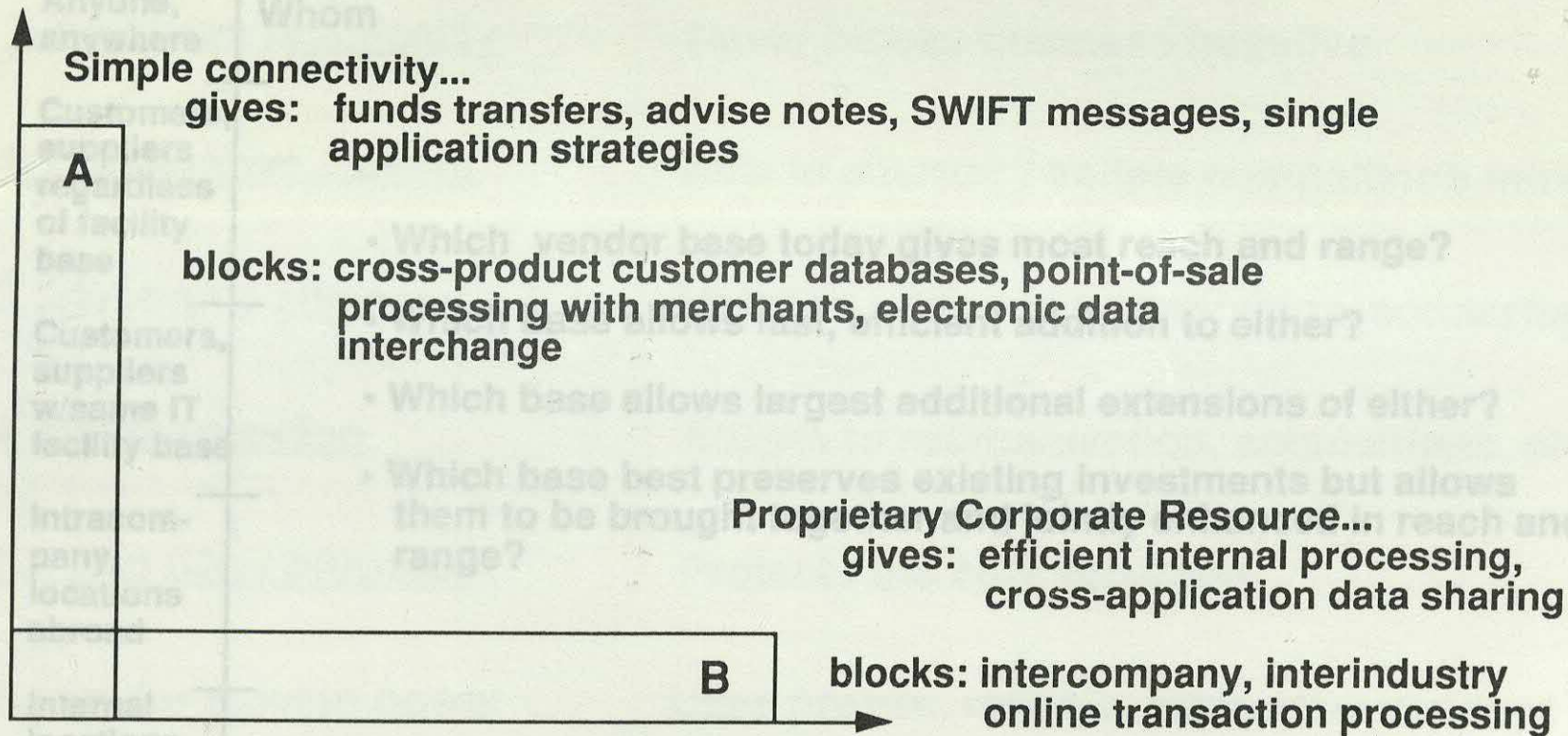
## Senior Management Decision Process for IT





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## Business Degrees of Freedom



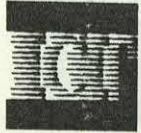
Standard  
messages

Access to  
stored data

Single  
transactions

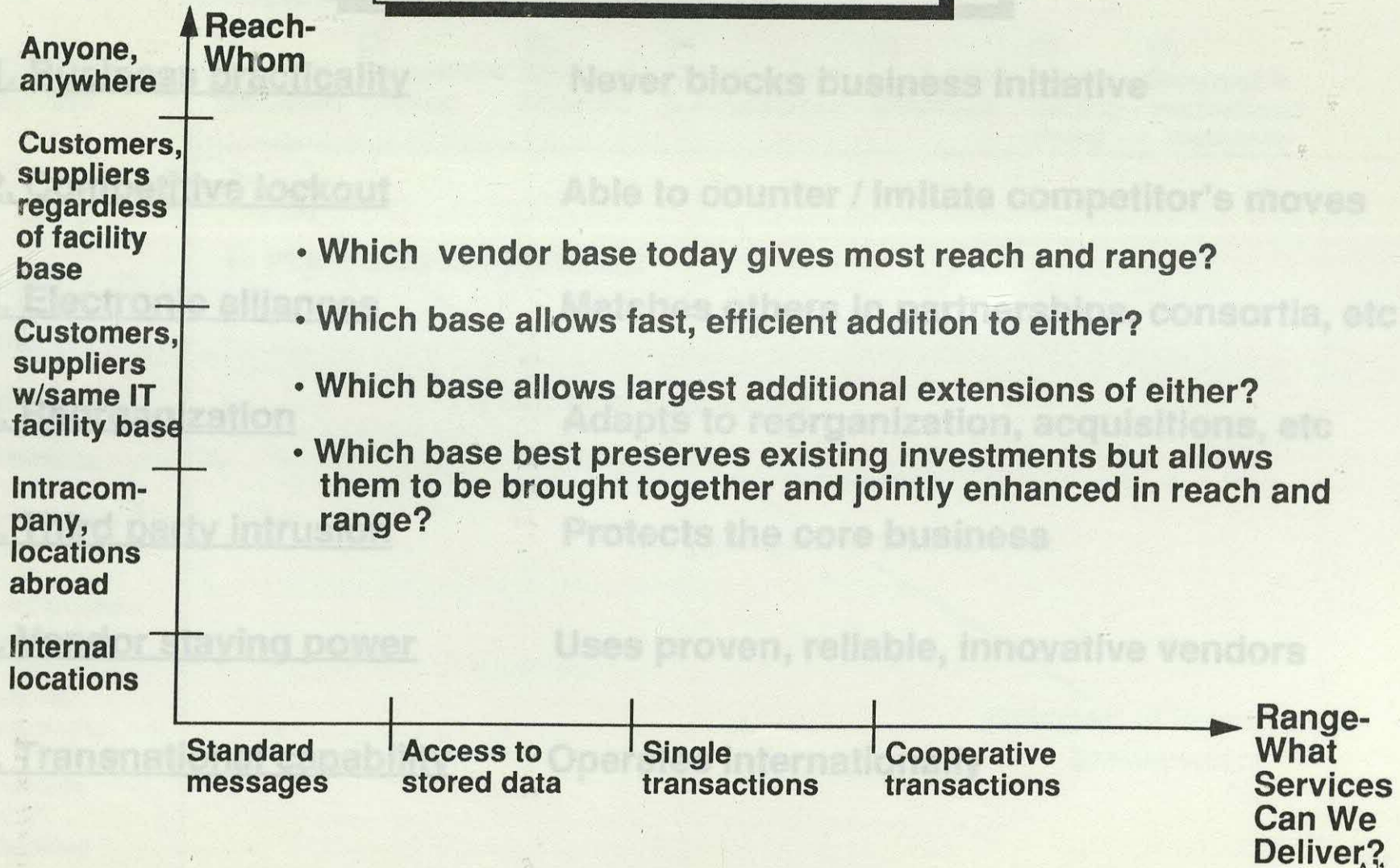
Cooperative  
transactions

Range-  
What  
Services  
Can We  
Deliver?



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## Explaining Integration





# The International Center for Information Technologies

## CEO's "I insist" Policy List

### 1. Business practicality

Never blocks business initiative

### 2. Competitive lockout

Able to counter / imitate competitor's moves

### 3. Electronic alliances

Matches others in partnerships, consortia, etc

### 4. Reorganization

Adapts to reorganization, acquisitions, etc

### 5. Third party intrusion

Protects the core business

### 6. Vendor staying power

Uses proven, reliable, innovative vendors

### 7. Transnational capability

Operates internationally



# The International Center for Information Technologies

## Business/Technology Platform Mapping

### A. POLICY DRIVERS

- |                                 |                               |                                |   |                                   |                                   |  |
|---------------------------------|-------------------------------|--------------------------------|---|-----------------------------------|-----------------------------------|--|
| (1)<br>Business<br>Practicality | (2)<br>Competitive<br>Lockout | (3)<br>Electronic<br>Alliances | (4)<br>Reorganization<br>& Acquisitions | (5)<br>Third -Party<br>Intrusions | (6)<br>Vendor<br>Staying<br>Power | (7)<br>Comparable<br>International<br>Capability |
|---------------------------------|-------------------------------|--------------------------------|---|-----------------------------------|-----------------------------------|--|

### B. BUSINESS PROCESSES

- (1) Core Business Transactions
- (2) Current Competitive Priorities
- (3) New Corporate Goals and Commitments
- (4) Key Industry "Business Chains"
- (5) Cost Structure Improvements
- (6) Revenue Enhancements
- (7) "Business Invention" Opportunities

### C. PLATFORM CAPABILITIES

(1) Degree of Enablement

(2) Degree of Disablement

(3) Impact of Reach/Range Enhancement



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## The 1990s Reality

- Margin erosion in every industry
- Manage as if in a permanent recession
- Deregulation cuts prices by 20% (e.g. airlines, telecommunications)
- Globalization adds service, quality, cost premium; can't charge for quality and service
- Technology plus productivity has created world overcapacity (eg. airline reservations, banking)
- Profit is not the "bottom line" byproduct of revenues
- Cost structures must be reinvented
- IS agenda is profit engineering



# The International Center for Information Technologies

## The Economics of IT

**50% of incremental capital investment**

**15% per annum compounded growth for three decades**

**only 20% of costs visible**

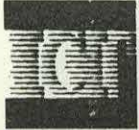
**\$1 of development is \$4 of committed capital**

**Development compounds "maintenance" and operations**

**Unproven business payoff**

**Competitive necessity - you can't afford not to invest**

**Economic reality - you can't afford to invest**



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## Managing the Economics of Information Capital

### Managing Costs

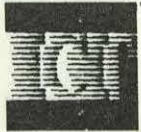
- IS Achilles' heel
- Iceberg costs
- Lifecycle cost dynamics
- Professional discipline

### Managing Benefits

- Who is accountable?
- Client responsibility, not IS
- Organizational enablers, disablers

### Investing in Infrastructures

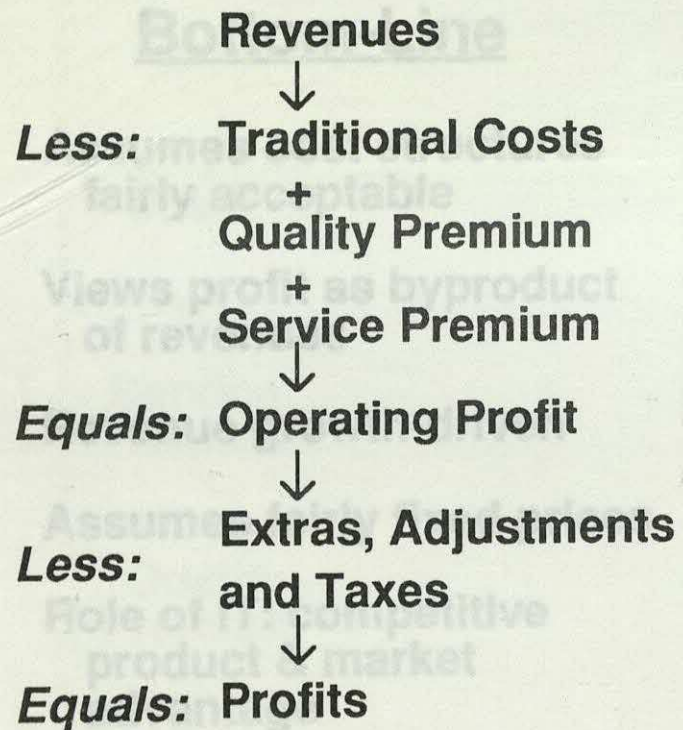
- Only top management can decide
- Impossible to measure value of enabling infrastructures
- Reach/Range "I insist" list



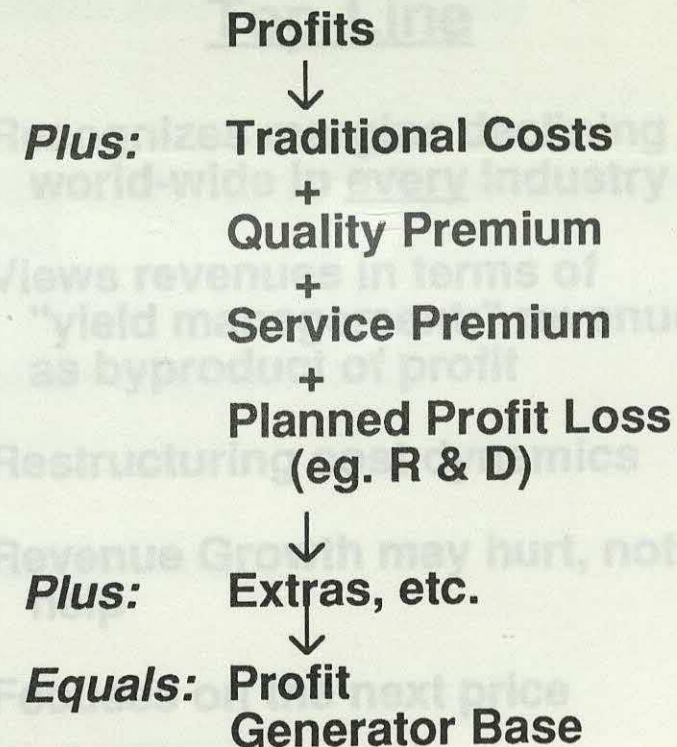
# The International Center for Information Technologies

## The "Bottom" Line

### Revenue-centered view



### 1990's Reality Centered View





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## Differences

### Profit as:

#### Bottom-Line

Assumes cost structures fairly acceptable

Views profit as byproduct of revenues

Revenue growth-driven

Assumes fairly fixed prices

Role of IT: competitive product & market advantage

#### Top-Line

Recognizes margins declining world-wide in every industry

Views revenues in terms of "yield management;" revenues as byproduct of profit

Restructuring cost dynamics

Revenue Growth may hurt, not help

Focuses on the next price

Organizational advantages; redesigning cost structures



# The International Center for Information Technologies

## Profit Engineering through IT

<b>Profit</b>	<b>Point of event MAS</b> <b>(Management Alerting Systems)</b>
<b>+</b>	
<b>Traditional Costs</b>	<b>Cost avoidance technologies</b> <b>(office, transactions, volume-independent operations)</b>
<b>+</b>	
<b>Service Premium</b>	<b>EDI, customer-supplier links</b>
<b>+</b>	
<b>Quality Premium</b>	<b>CIM, image, barcoding</b>
<b>+</b>	
<b>Planned Profit Loss</b>	<b>Platform investments</b>



# The International Center for Information Technologies

## **Organizational vs. Competitive Advantage**

- Globalization
- Managing discontinuity
- Hyperextension of services and operation
- Organizational simplicity
- Breakdown of concept of an "Industry"
- Federated organizational structure
- Time stresses
- Creating the time resource
- Discontinuities
- Strategic alliances and interorganization business



# The International Center for Information Technologies

## **Environmental Complexity**

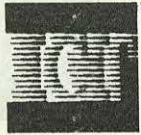
- Globalization
- Hyperextension of services and operation
- Breakdown of concept of an "industry"
- Time stresses
- Discontinuities
- Strategic alliances and interorganization business



## Organizational Complexity

- Managerial layers
- Administrative overhead
- Procedures and controls
- Impersonal paper

- Obsolete managerial skills
- Negative value of experience



# The International Center for Information Technologies

## Organizational Pathologies

- Fragmented understanding
- Depersonalization of leadership
- Middle-management dilemmas
- Field/HQ tensions
- Subservience to documents
- Obsolete managerial skills
- Negative value of experience



# The International Center for Information Technologies

## Information Technology for Organizational Simplicity

- Give the leadership the tools to lead
- Increase direct flexible contact between people
- Provide simple access to simply organized information and focus on document-based needs
- Fast reaction mechanisms
- Relocatability of functions
- Restructure via information technology base

Leadership

Federated  
Structure

Organizational  
Pathologies

Organizational  
Simplicity

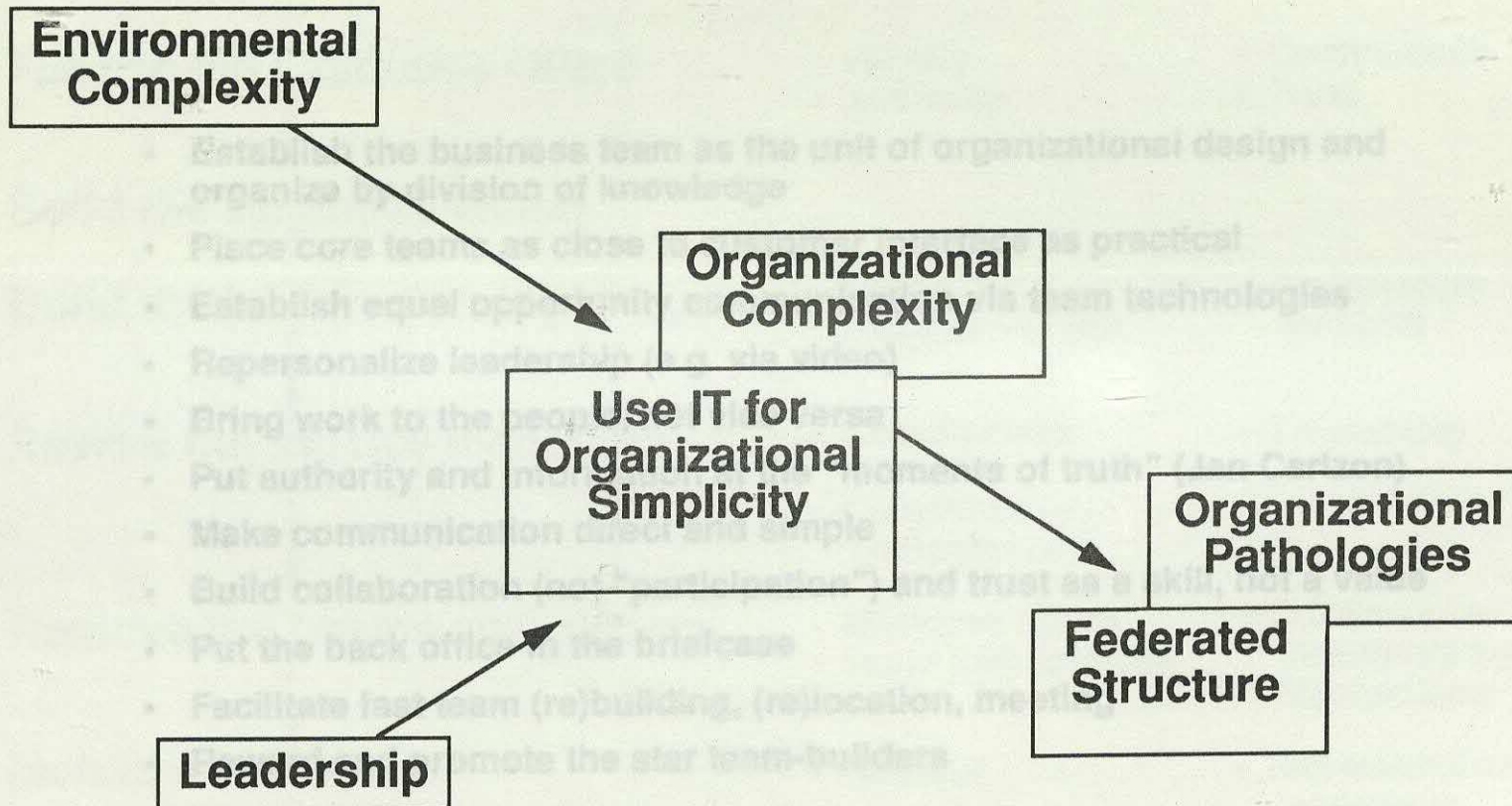
Complexity

Environmental  
Complexity



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## IS Strategy for Breakthrough





# The International Center for Information Technologies

## Emerging Practical Principles For Organizational Redesigning

- Establish the business team as the unit of organizational design and organize by division of knowledge
- Place core teams as close to customer interface as practical
- Establish equal opportunity communication via team technologies
- Repersonalize leadership (e.g. via video)
- Bring work to the people, not vice versa
- Put authority and information at the “moments of truth” (Jan Carlzon)
- Make communication direct and simple
- Build collaboration (not “participation”) and trust as a skill, not a value
- Put the back office in the briefcase
- Facilitate fast team (re)building, (re)location, meeting
- Reward and promote the star team-builders



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## Summary: Steps In Organizational Redesign Via IT

