Newsletter

There's no such thing as an IT Project

The more we've been involved with IT (Information Technology) related projects in organisations, the more we've been changing our mind about the concept of IT projects, their role within the organisation, how they are justified, etc. We've come to the conclusion that there should not be any such thing as an IT project.

To IT professionals, this may sound either like some form of heresy or lunacy (there was a full moon recently!). We would firstly like to point out that, as per Porter's value chain, IT is a horizontal (i.e. support) function which adds value (or at least should add value) across all areas of the business. In some industries, IT can provide competitive advantage, however experience has shown this advantage lasts only until someone else has been able to duplicate the IT in their organisation. A good example of this is the so-called netbook, or mini-notebook PC. One manufacturer released the netbook – within weeks there were numerous others on the market.

What we have seen with so many "IT" projects is they take on a life of their own regardless of the requirements of the business. Once the project is underway, the technology must go ahead (frequently at all costs!). The people managing the project are typically IT oriented and as such get enmeshed in the IT aspects of the project. The timeframes blow out, the costs go up, and good project management goes out the window as the staff battle with the IT to get the project completed. In fact it has been said that the average "IT" project takes twice as long as estimated and costs twice as much as budgeted to complete. In addition, where board approval is required for the project, most directors have no or little IT experience. As such they rely on the presentations given by the very people who have a vested interest in keeping the IT project going. Smoke and mirrors are the stock tools of trade. Our experience has been that good project management will almost always deliver projects on time and within budget.

A lot of discussion has taken place over many years about the importance of aligning IT with the organisation's corporate objectives. What we have been observing is the move by smarter organisations to manage all IT activity in the form of projects. In other words, each project involving IT must be linked back either to a corporate objective or to some area of the business, and to demonstrate that it is supporting the business through helping it to achieve one or more goals and objectives. If the project is being undertaken purely for the sake of technology, then its extremely unlikely that it will add value to the organisation and must be questioned.

Take for example a project comprising the roll-out of the latest version of a particular software package. One could argue that this is an IT project – but is it? What value will the installation of the latest version of the software bring to the organisation. Will it improve employee productivity? Will it reduce the amount of support each PC presently requires, thus lowering support costs? Does it provide particular enhancements that can provide added value to the organisation? Will the sum of these values be greater than the cost of the project to roll it out? If you can answer yes to these questions then there is obviously a business reason for the project to proceed. In other words it's a business project involving IT – not an IT project. And it should be managed as such.

SLA & Levels of Service—A New Dimension

Its generally acknowledged that Service Level Agreements (SLAs) are one of the most important aspects of any agreement between two organisations for the delivery of services. The most important item in an SLA is the service definition, which must clearly outline what each service is, what will be delivered, what are the benefits to the customer, etc. As we have pointed out in previous newsletters, the major reason for failure in outsourcing agreements is the lack of clear, concise and comprehensive service definitions, and the clearly enunciated responsibilities of both parties to the agreement.

Over the last few years we have been noticing a new dimension of service levels emerging in the marketplace. As organisations review their outsourcing agreements and move to a multi-vendor, selective sourcing model (a phenomenon we coined as the next wave of outsourcing in 2002), many IT outsourcing suppliers have changed their modes of operation in response. IT outsourcing suppliers have been trying to (*continued on the next page*)

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stem the tide of organisations re-insourcing their IT services by introducing a new term, managed services, into the market. The idea is to let the IT outsourcing supplier take over the IT services for the organisation by providing a set of "managed" services.

This concept of managed services is what we have been seeing as a new dimension of service delivery levels. In essence, the services can be provided by the outsourcing supplier at three levels of delivery: Contracted, Administrative and Managed. At the lowest level of service delivery, Contracted, the customer manages the service delivery through a project manager or similar role, providing specific instructions to the outsourcing supplier for the delivery of the required service. The customer is also responsible for all change management. An example of a contracted service would be where the organisation needs a new server installed and provides a specific set of instructions as to the installation of the operating system, server software, etc.

At the highest level of service delivery, Managed, it is the outsourcing supplier who provides all the project and change management responsibility. The customer submits a request for service to the outsourcing supplier, and the outsourcing supplier's designated project manager manages the request through to completion. Responsibility for the management of the change process also lies with the outsourcing supplier. For example, a customer may want a new server installed. In this case, the outsourcing supplier clarifies and confirms the request, then takes on the responsibility of ensuring the new server is installed according to the required or standard configuration, with all the required software, and connected to the customer's WAN ready for use by the customer's staff.

In the middle level of service delivery, Administrative, the responsibilities are shared depending on circumstances. In some instances, the customer may assume responsibility for service delivery while in other circumstances it is the outsourcing supplier's responsibility. The areas of responsibility are clearly enunciated in the service definition. Some organisations prefer this middle level for some services, as they can mix and match the level of responsibility they require, allowing the outsourcing supplier to have responsibility in the areas they have an acknowledged expertise, while retaining responsibility in those areas the organisation feels they need to manage themselves.

The benefit to the organisation of the three levels is that they can choose the degree of responsibility they wish to have for service delivery, or not as the case may be. With that level of responsibility of course is the cost of service delivery at the three levels. If the customer wants to reduce the cost of service delivery, they can choose to have contracted services, offset by the fact that the customer will need to have their own staff to provide the project and change management. If the customer wants a lower level of responsibility, and thus fewer staff and internal costs, they can opt for managed services.

Service Definitions—A Key Element for Successful Outsourcing

According to a wealth of research going back to the mid 1990s, one of the main reasons for the failure of outsourcing agreements is due to organisations not fully defining their IT requirements. In other words, if organisations do not fully and concisely specify the IT services they require, then there is little hope that an IT services supplier will be able to deliver those services as required. In many cases this results in confusion and disagreement between the organisation and the supplier over what was said versus what was meant in the outsourcing agreement. Typically, this ends up with the supplier stating that, if a particular service wasn't explicitly stated in the outsourcing agreement and the organisation required it, then it would be considered "out of scope" and thus additional charges would apply.

These "out of scope" items are one of the main reasons for outsourcing costs exceeding the original budget. In some cases we have seen them consume almost the entire IT budget for the organisation.

For any outsourcing to be a success therefore, it's essential to have your services defined – clearly, comprehensively and concisely. Its not just a matter though, of putting words down on paper. We have been assisting organisations since the early 1990s to define their services, both IT and non-IT.

Our experience has found that to properly define services takes around 8 to 12 hours per service, even when templates are used to kick-start the process. And when you consider that the average organisation has around 50 to 80 IT services, the workload can be considerable.

In the mid 1990s we developed a methodology for defining services. A good service definition describes the service in ten sections, and each section is laid out according to a proven format. These sections include a concise description of what the service is, along with deliverables, benefits to the recipient and the organisation, response and resolution times, etc. A white paper outlining the methodology and the format of the ten sections is available in the Papers page on our web site: www.farrell-associates.com.au, entitled "Defining Services".

Organisations who have used the methodology to define their services have told us that using properly defined IT services had provided enormous benefits to the organisation, eliminating misunderstandings between them and their suppliers. In many cases it had saved the organisation considerable costs, as there were no longer any of the "out of scope" problems they had encountered previously.

IT suppliers who have defined their IT service offerings using the methodology have also told us of the benefits of being able to offer clearly defined IT services. They can now provide their customers with a concise catalogue of IT services. Their customers can see exactly what they will receive, and can modify the definitions to suit their particular requirements.

Any changes can then be costed based on the standard definition. Again, there is a clear understanding between supplier and organisation over what is being provided, and how much it will cost – leading to a successful outsourcing.

Of Captains and Consultants

With all the technology on board aircraft these days, the average airline captain could be considered little more than a very highly paid computer operator. To the casual observer, the captain merely sits at the front of the aircraft, feeds the correct destination coordinates into the several guidance computers, presses a button and sits back while the aircraft literally flies itself to the chosen destination. In addition, dozens of other computers look after the fuel systems, engines, hydraulics, etc.

So why do airlines have not one but two, and sometimes three pilots in the cockpit? Why not just have someone who knows the technology in the cockpit and can push the right buttons at the right time? They would certainly be a lot cheaper and could do just as good a job as the highly experienced and highly paid pilots. Or could they?

The reason very simply, according to the airlines, is that nothing can replace the person in the cockpit who, with years of training and experience, can make informed decisions in real-time and thus ensure the safety of the flight. In addition, the captain is not there for the good times – he / she is there to ensure that, when things go wrong, the right decisions can be made and a disaster avoided. As one senior manager told us: "nothing can replace the computer between the ears when it comes to making the right decisions in problem situations".

So what does this have to do with consultants? Well, some organisations feel that, when their organisation needs direction and guidance, all they need is someone who is familiar with the technology and can "push the right buttons at the right time". Their decision to engage a consultant is based on the fact that he / she can push the right buttons, and typically doesn't take into account the years of training and experience that are needed in the area(s) required by the organisation to make the right decisions. The selection is also frequently based on the reputation of the consulting organisation, not necessarily the consultant within the organisation who will carry out the work. One organisation we know went through five consultants from a "reputable" consultancy before they found one with the right set of skills and experience for the project in hand.

How can you be sure you'll get captains versus "consultants" when you want your project to really fly and reach its destination (rather than crash land)? One of the key requirements we see very frequently in RFP / RFT documents these days is that, when the success of the project is dependent on the skills and experience of the people who will carry out the work, the organisation demands that the supplier *must* nominate the people who will actually do the work, along with their resumes. In addition, the contract for the proposed work stipulates that the people who are considered key to the success of the project can not be changed during the project without the express written permission of the organisation. This latter action overcomes the classic "bait & switch" routine that some less reputable consultancies perform, replacing highly ex-perienced consultants with junior people once the project is underway.

Ensuring this is not the only thing needed for the success of a project. But, when things go wrong, if you have an experienced person at the helm, you've at least got a greater chance of overcoming the problems and achieving success.

About us

Over the last 25 years we have been working with numerous organisations in a variety of industries, particularly banking, finance, mortgage broking and insurance, as well as mining & manufacturing. At the strategic, tactical and operational levels we have carried out a wide range of assignments with the top management & boards of organisations in Australia & New Zealand, as well as throughout Asia and the US.

Typical assignments have been in the areas of strategic planning, services management (including SLAs), outsourcing (for both organizations and IT vendors), project management and information technology. The assignment may be a simple review of existing strategy, structure and systems, an investigation of a specific problem (e.g. a project that appears to be in trouble), or could be pre-litigation forensic analysis of a failed project.

Our review & advisory assignments usually take no more than two to three weeks, and the primary outcome of the assignment is a report detailing the results of our review with a series of recommendations for resolving the situation at hand and / or recommendations for further action.

If you would like to find out more about our services, don't hesitate to contact us on any of the contacts below.
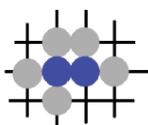
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Comments / Feedback

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