

Business transformation implications of the new economy

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Some perspectives on concept of the new economy - how does it compare with other revolutions

- Some other revolutions & their effects on volume, quality, economic progress
 - Travel - rail, air
 - Risk management structures - mutuals, co-ops, limited companies etc.
 - Mass education - primary, secondary and tertiary
 - Telecomms/mobile
- Effects on relationships with customers
 - CRM, e-commerce etc
- Effects on relationships within/between organisations
 - e-business, supply chain
- Externalities

Role of consultants & advisors

- The cycle of hype
- Entrepreneurs of ideas, not of reality
- The fuzz of interpretation
- The confusion of legislation and regulation

Some important facilitators (and possible obstructions) 1

- Existence of (well-working) networked organisations
 - Networked to partners (including outsourcing), channels
 - Seeking overall (transformatory) view, not just micro-optimism (especially public sector)
 - Focus on end-value (outputs for customers), not just on intermediate value (inputs of resources)
- Capacity to introduce, then stabilise new infrastructures, then get benefits

Some important facilitators (and possible obstructions) 2

- Existence of a strong (liberalised too) IT/telecomms production, distribution & (now) transformation capability
 - That can simplify in a world of (required) exploding data volumes
 - Telecomms facilitates everything, from mobile working – not just the phone, but hot-desking, to e-supply chain
- Acceptance of outsourcing & transformation – from cost-reduction (“your mess for less”) to truly transformed
 - New competitors – from worlds of accountancy/finance

Some important facilitators (and possible obstructions) 3

- Understanding of softer factors
 - People (beware lip-service) in organisations
 - Education, training & experience management that provides/reinforces skills and understanding
 - Knowledge management (in machines or heads)
- And now – governance!
 - When management is dispersed or even absent (who can answer the “who manages?” question?)

Some important facilitators (and possible obstructions) 4

- Factors listed seem to be mainly micro-level in costs and benefits
 - Don't have good aggregate measures of many (at different levels of aggregation)
- View is nearly always (& increasingly?) partial
 - “Sentinels” that watch process & other performance aspects more fragmented
 - Look at little bits of scorecard, don't learn from other “sentinels”
 - Can't develop higher level ones
 - Make valuable transformation more difficult, as well as integration that supports it

Some important facilitators (and possible obstructions) 5

- Systems failure issues & risk management processes much more important now
 - We lack the intuitive reinforcement coupled with willingness of people to “step in”
 - People may lose understanding of what makes things work
- Transitional issues serious
 - Because new systems break with more past “rules of thumb” than most usually can predict/absorb

Example of increased distance from coal-face 1 - good/bad customers

- Good customers

- Valuable – current/future
- Honest, prudent
- Loyal/persistent/steady/cross-buyer, recommender
- Responsible/relevant responder, information giver, complainer
- Rules/rights-observer e.g prompt payment

- Bad customers

- Not valuable – current/future
- Switcher, multi-sourcer, hyper-transacter
- Ignorer, opaque, rule-breaker, persistent complainer, queryer, dishonest

Increased distance from coal-face 2

- systems problem

- Larger businesses increasingly dependent on IT systems for competitiveness e.g. in
 - Understanding current/likely future situation
 - Planning
 - Implementation
 - Monitoring and control
 - Measurement of results

How IT investment is being managed - the ideal

- A properly coordinated set of programmes
 - Interlocking with each other
 - Phasing/stages properly inter-connected
 - Business changes moving in parallel
- Time for professional testing/roll-out
- Clear accountability for programme design/delivery
- Results evaluated against business cases
- Reasons for any failure understood
- Learning incorporated into later programmes & projects
- People/process aspects properly managed
- All risks of development, implementation & running clearly identified/managed

How the investment is being managed - the other extreme

- Programmes poorly co-ordinated
- Poor interlock, phasing – internally & between systems & business
- Hurried
- Weak accountability
- Weak control/learning
- Poor management of people & process aspects
- Risk poorly managed

Increased distance from coal face 3 - risk

- Classic operational risk
 - Intensified by exposure to internal or external cyber-terror, etc.
- Capability risk
 - Loss of range of core capabilities
- Compliance risk
 - Increasingly onerous terrorist-related regulations
 - Brand/ franchise damage in failure to comply
- Financial risk
 - Dysfunctional impacts on financial performance e.g. terror, fraud
 - Direct/indirect (via market/macroeconomic impact)
- Political risk
 - Failure to comply with “democratic/ethical” requirements
 - Access, costs
- Each can have customer, site, system or almost any dimension

Why are public authorities interested?

- See significant risks in failure to comply with sector/general laws & regulations
- Caused by failure of systems & data to deliver promised “enterprise-manageability”
- Specific areas of interest
 - Corporate-level risk e.g. solvency
 - Individual-level risk e.g. staff or customer fraud
 - Areas where corporate & individual risk intersect e.g. systematic fraud, data protection
 - Physical security – a new area of focus
 - Relationship between access to services & risk/returns

Regulation can be divisive

- Usually, different regulatory bodies interested in different issues
- But more or less united in interest in managing risks associated with information....
 - Management
 - Security
 - Recovery
 - Delivery – internally to business, externally to customers & regulators
 - But no real understanding of new economy volumes/complexity of information?

How ready are we now to even address these issues

- May be less ready than we ever were
- Improved data concealed by fuzzy, biased understanding
- Levers of change less well understood
 - e.g. managers who did well managing in chaos can't manage structured change!
 - They may abdicate
 - Result – no more change
- Big question
 - Are we behaving as if we are in a period of antithesis, when we should be managing a synthesis?

Is there a development path becoming apparent for firms, governments, and states?

- It can only be based on brutal honesty
 - A commodity with declining value?
- The catastrophes of strategy
- Return to honest empiricism?
 - With tough criteria, not self justification (choice of measure/index)
- Evidence-based
 - No senior management/political illusions

Increased focus on...

- Governance
- Disclosure
- Tracking of results (requiring memory and accountability)
- Importance of people and organisation
 - In change programmes
 - In delivering what people plan
 - Importance of communication, motivation, incentives, scorecards

Identification & definition of important attributes

- Identification of an attribute as being important is not trivial
 - Nor are defining/measurement
- Some examples:
 - Employability
 - Good/bad
 - Risk & risk tolerance
 - Fraud & fraudulence
 - Trustworthiness & trusting
 - “Young old”
 - Employability
 - Morning vs. evening people
 - Geographic clusterings e.g. knowledge-based versus operational; headquarters, peripheral, outreach

A serious obstruction?

- Decline in standards of business & political discourse?
 - Or was it always thus?
- Failure to review past honestly (& account for present)
- Failure to take accountability for results
- Lack of analysis of incentives
(Enron, WorldCom, Xerox, Japan)

What can be done about it?

- The weapons of war
 - Strong, eclectic, co-operative research
 - Brilliant PR, not spin
 - Risk taking by experts
 - Attack on the trivial media
- What is needed?
 - A new view as to what we should expect from our best people?
 - A new view as to how government, universities and industry should work together?