



# Show IT Who's Boss!

A joint collaboration between Procertis Ltd and West Trax

## Introduction

IT's failure to deliver promised returns to businesses is hardly a secret. But discussing the situation often seems to be taboo. Organisations know they throw a lot of money at the IT wall, but they're not sure how much of it sticks. So they shut their eyes, and throw more money. Our research suggests that organisations are only using half of the systems they're paying for - and using those capabilities wrongly and dangerously.

The increased significance of governance and compliance - driven by initiatives such as Sarbanes-Oxley, IFRS and Basle II - means that underperformance in IT can trigger ultimate business failure. Management must show that competent processes are in place to support good value and risk management. And auditors now verify the processes that produce data, as well as reported information. This means that IT can now prove to be a very expensive way of destroying a business.

We think there's a way that organisations can correct their course, target their investments more intelligently, and harness the power of IT to accelerate their business performance. Making the change calls for some focused management intervention. We outline that intervention in this paper.

## 1 The price of failure

West Trax International, which provides analytical and diagnostic services for ERP system users, recently carried out over 300 benchmarks in 60 European enterprises. Not one organisation was using more than 50% of the vendor software they had licensed. What does this finding suggest?

First, it reminds us of an old saying from the marketing world: "Half of my budget is wasted - but I don't know which half." The lack of accountability for results in marketing has driven managers to treat their processes with increasing rigour over the years. They're constantly trying to tie outcomes to inputs, so they can direct their investment as profitably as possible. You'd be forgiven for thinking that in the world of software - which has pretensions to being an engineering discipline - there would be more certainty about what's doing what. But it seems that many organisations prefer to buy a "black box" solution with a trusted name stencilled on the side, and carry the weight.

Second, our finding hints that organisations aren't getting the right functionality from their (over-budgeted) investments. They may be missing valuable opportunities to optimise their systems and operations by not implementing functions they are already paying for. Chances are, their implementation isn't just bloated: it doesn't even match the needs of the business.

Third is the implication for compliance. If you don't know which business processes you're serving with which IT processes, then you cannot confidently audit the business and assign accountability for its actions. If you're not confident that you've integrated your systems correctly, then you can't guarantee consistency of behaviour across the business.



Fourth, there's the issue of mergers and acquisitions. You're running a well-known business package and so is your target, so you've got a marriage made in heaven - right? Not if, under the covers, the two organisations have implemented the software differently. In fact, the likelihood that the two organisations have compatible implementations is vanishingly small. How much value does this incompatibility strip out of your proposed transaction? Systems issues can be deal breakers.

Lastly - and most alarmingly - our finding implies that there's a large number of organisations out there that are about to find themselves outrun, undercut and overcome by competitors with a smarter approach to IT. The winners will be the organisations that won't tolerate the waste, uncertainty and risk of the traditional approach.

ERP systems are significant investments with long-term impacts on major enterprises. Meta Group reckons that the cost of a 1,000 user system is £21.7 million each year, based on a five-year average. Both performance and compliance of any ERP system must be a focus for the CEO and CFO, and not assigned to IT as a technology project.

No one wants to throw money away. But the waste won't stop until managements realise that there's a chasm between the business and IT - and trying to fill the chasm is doomed to failure.

There's a void separating what the business needs to do, and what IT is geared up to supply. Business and technology have no natural fit: they must be made to work together, for the benefit of the business. Organisations that buy packaged solutions are essentially tossing expensive boulders into the chasm, hoping eventually to fill the void. And they may eventually create a rough landscape over which the two forces can - just about - communicate. But they will never create a close match between business need and technology solution. They'll never really put IT at the service of the business.

Decision-makers who behave in this way - and they are, sadly, the majority - are abdicating responsibility for the business. They let vendors dictate to them, and pay handsomely for the pleasure - or the pain.

## 2 The winning strategy

You're paying too much for IT, it's not delivering, you can't swear to its role in the business, it's hindering your ability to make deals and it's dragging you behind the nimbler competitors in your field. What can you do?

We suggest that instead of continuing to lob solutions into the chasm, you build a bridge between the business and IT. We'll start at the business side of the chasm.

### 2.1 Seize your requirements

Suspend your belief in solutions, and define the problem to be solved. Running any business is complex - but no business is immune to analysis. Tear down the walls of the black box and get a sense of what the business really does: its goals, processes and structures.



Start with a strategic requirement of what the business needs from IT. Don't express this in terms of the solutions floating around in the sales space. Put it in your own language. So: who says you need a "customer relationship management system"? If your requirement is to "have profitable conversations with customers", then start there.

## 2.2 Define your current capabilities ("as-is")

How does the organisation's current ability match up to its requirements? Don't just list the systems that are supposed to address your goals - look critically at what people in the organisation can actually do to make things happen.

For example, your ability to "have profitable conversations with customers" may be well served when customers call in - because your business does not need to differentiate customers when they make contact, and because your people are highly knowledgeable about the organisation's products and services. Alternatively, you may not be able to "have profitable conversations with customers" when you contact them, because in those cases you need to have a tailored proposition - and you have no adequate means of predicting customer needs.

## 2.3 Agree your future capabilities ("to-be")

Go back to your strategic requirements and define the functions you need to support those requirements - regardless of the "as-is" model, and regardless of the characteristics of third-party packages. This is your future you're designing, and it doesn't need contamination from the past, or from a supplier's agenda.

For example, you might say that to "have profitable conversations with customers" you need - amongst other things - to segment your customer base according to its propensity to buy different products and services. Alternatively, you might say that it's more important to survey your customers and learn more about their needs.

We say "agree" your future capabilities because the future is up for grabs. How you change the business to compete in the future depends on which actions you commit to take. It's therefore vital that all the stakeholders agree on what's needed to make the business perform.

## 2.4 Assess your technical competence

We're now ready to look at IT. With your "as-is" and "to-be" models to hand, make a critical assessment of both your infrastructure and your applications.

Do your applications support what you need to do in the future? Can they be modified for a closer fit?

Is your infrastructure fit for purpose? You may be struggling to support mobile workers, running out of storage, or forever battling virus outbreaks. On the other hand, you may have a lot of expensive kit (and people) sweating fruitlessly.

You can use tools like Procertis' AssessIT® methodology to measure the company's IT capability against predefined criteria. AssessIT® produces recommendations designed to improve performance which are then incorporated into a strategic action plan for implementation by the company.



## 2.5 Measure your software's contribution

Now measure what your applications are costing you, compared to their business contribution. Fit to function is one measure of cost effectiveness - but it may be faster (and more shocking) simply to measure the number of times each paid-for function is actually executed.

Business fit gives a measure of your applications' degrading effect on the business. The compliance perspective will give a complementary risk measure. Remember, if your systems aren't collaborating properly then they're exposing you to regulatory penalties, and possibly business failure. A plea of ignorance is no defence.

Relevant West Trax tools for this step include KPI Scan, KPI Optimiser, and Benchmark Express - ideal for ensuring the company's objectives match those of its market and industry peers.

"What is possibly more surprising than this habit of customising more than half the application is the fact that in most instances the CFO knows nothing about it - revelling in the warm glow created by the certain knowledge that his or her organisation is using a standard set of processes and that this has done no harm at all to their CV. What is particularly worrying is that much of this custom code is undocumented and involves the use of private spreadsheets. Most CFOs and CIOs think their organisations just have one version of the truth - held in ERP data files. Nothing could be further from the truth.

All of this should be ringing alarm bells for those with any responsibility for compliance. Undocumented, multiple versions of the truth are exactly what the regulatory authorities are keen to unearth."

- Martin Butler, Butler Group.

## 2.6 Draw the road map for change

You now know where you are, and where you want to be. You never meant to arrive at your current state, but now's the time to get on track. Take whatever lessons you can from your analysis - but get ready to move on.

Your road map for change is all about incremental improvements. It will include process changes and technical changes. And the plan will be entirely under your control. You may want to modify it as you go ahead. But each element of the plan will be there because it serves the business - not because it happened to "come in the box".



### 3 Conclusion: The measured response

However you spin it, management comes down to taking measurements - and taking actions in response. IT's role in the business is no different from any other element. It's subject to the same cycle of scrutiny, challenge and adjustment. The approach we outline here will put you back in control of IT, stifle wasted expenditure and underwrite your compliance goals.

Once you capture the scale of the problem, you'll light a fire under the people whose commitment and leadership are vital for change. Putting a real price on the black box of IT, and exposing the contents of the box for what they are, creates an itch for action.

Once you have the scope of the future state agreed, that creates a strong goal to unite your people behind change. Show the way, and you've started the journey.

Above all, insist that IT is not labelled a technology issue, but a business issue. IT isn't about selecting kit or pitting solutions against each other: it's about serving the needs of the business, and demonstrating competence to stakeholders - including regulatory authorities. The management intervention we're urging must be led from the top.

Technology used to be a discrete element of the business, consuming cash but not demanding much non-specialist attention. That's changed. Today, your business *is* your IT. IT is woven into the fabric of everything you do. You need to show it who's boss!

Procertis Ltd and West Trax International work in partnership to provide senior managers with a comprehensive view of their current IT delivery capability and the true value they are extracting from their IT estate. This is accomplished by combining the detailed analytical and diagnostic services for ERP users delivered by West Trax and the higher level IT assessment capabilities delivered through the AssessIT® toolset from Procertis Ltd



Procertis are a business solutions company specialising in helping organisations extract maximum value from their IT investments by thinking about technology only when we have fully understood the business. For further information tel +44 (0)1926 400822, email [info@procertis.com](mailto:info@procertis.com) or visit [www.procertis.com](http://www.procertis.com)



West Trax provides services focused on optimising ROI throughout the life-cycle of ERP systems - especially SAP.

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