

CHAPTER 1

LEADING INTO THE FUTURE

“Lead with the future, not with the past” is a favorite mantra of Microsoft’s chief operating officer, Kevin Turner. Today, sticking with the tried and true won’t keep a company in the lead for long. Technology has changed the landscape. Its powerful impact on business performance ensures that companies that do not know how to take advantage of new tools will lose their competitive edge.

Collaboration, customer communication, and product development are just three of the myriad areas where business strategy and technology intersect and go right to the bottom line. Companies that know how to efficiently choose, roll out, and measure the effect of new technology have shown themselves to be winners in today’s marketplace. Whether it’s reductions in energy use or a quicker time to market with a new product, companies like BMW and Del Monte have used technology to gain a competitive advantage. These are today’s Agile companies.

CURRENT LANDSCAPE

In this book, you'll see the many ways technology agility impacts business performance and how you can get your company ready for and apply new technology. This is true whether your job is to define business strategy, manage facilities or sales accounts, or oversee technology and its management. Any and every part of your company can and will be transformed.

Often it is easier to recognize impact if observed through a magnifying glass, and economic shifts and crises can function as such. The financial, automotive, and healthcare industries are in the middle of radical change, and will take center stage in this book. They are both exciting and relevant, impacting most of our lives directly. At the same time, the insights crystallized here illustrate the impact of business and information technology (IT) agility or lack thereof and apply to business and IT decision makers in any industry.

Excellent technology by itself, though, cannot make an organization innovative or Agile. The nuts and bolts of a new technology are of course critical, but there's another set of factors that are equally important when it comes to creating an Agile company. It is essential to understand that a complete framework needs to be in place. This includes rules and processes as well as the organization's and individuals' attitudes toward change. Establishing a culture that welcomes and encourages change will go a long way to making your company Agile. Employees who embrace change look at new technology adoption as a way to improve their jobs and their performance. These tech-savvy workers are not only comfortable with new technologies, such as social networking, mobile access to information, and virtual workplaces, but they often already use them to do their work and expect them to be supported and provided by the organization they work for and interact with. In contrast, other employees may view change and new ways of doing things as obstacles or even threats, additional burdens to their workload, or even something to rally against. We address these challenges for the Agile leader as well and discuss new roles regarding employee education and motivation. Many employees bring technology they are experiencing in their private lives into their workplace. The chapters ahead also explore the impact of consumerization of IT and the ease of use of technology.

We are leveraging the largest structured data set on organizations' IT capabilities and share the insights in these pages. Here you will find correlations between organizations that have embraced technology and those that are moving more slowly. Examples and discussions of trends are based on work with hundreds of decision makers over the last 15 years, data and experiences from thousands of documented Microsoft engagements with customers and best practices, and also deviated Infrastructure Optimization (IO) Models and research from leading universities.

The companies highlighted in this book no longer just *use* their technology—they *own* it. They have learned that the new digital divide is between those who view technology as a competitive asset and optimize it versus those who merely have the technology.

We look at how BMW Rationalized its IT environment and became a benchmark for its industry and how system integrator Tieto reduced employee travel by 25 percent while keeping up its relationships with partners. We drill into how AT Kearney managed to complete six months of client's work in 8 hours and how Procter & Gamble (P&G) improved productivity by an average of 14 minutes each day for each of its 130,000 employees. It's as if P&G suddenly added 3,800 more people to its team without changing payroll or facility costs. These companies own and leverage technology for their businesses and, in doing so, have become leaders in the Agile company race.

There are four key stages of technology adoption:

1. Spot trends.
2. Maximize current IT investments.
3. Implement strategy.
4. Gauge impact.

View these stages as a road map to go from simply using technology to owning it. The stages are not just chronological, they are also cyclical. They need to become a constant in your company's ongoing business strategy. In this book, we use an IT IO Model to guide you through these stages and point you to insights, examples, best practices, and resources along the way.

Maximizing current IT investments and continually looking at evolving the technology to fit new trends help establish the two

pillars responsible for all companies' economic success: lower cost and maximum value.

This strategy not only helps your company weather an economic downturn; it also positions you to quickly capitalize on recovery as it materializes and win in competitive markets. Nothing clarifies a situation like crises—and we surely have had enough of those in recent years. In addition, crises are fertile ground to reexamine the business-as-usual scenario in order to bring about needed change.

KEY FORECAST OF IT TRENDS AND SPENDS

This book delves into the “what” and “how” behind leveraging IT investments. As you read it, keep these key IT trends and spends in mind. The top IT trends forecasted by International Data Cooperation (IDC) are:¹

- Growth is returning to the IT industry in 2010; forecasted 3.2 percent growth for the year, returning to 2008 industry spending levels of about \$1.5 trillion.
- Improved growth and stability in worldwide telecommunications market; worldwide spending projected to increase 3 percent.
- Emerging markets will lead IT recovery; BRIC countries (Brazil, Russia, India, and China) forecast to grow 8 to 13 percent.
- Cloud computing will expand and mature as a strategic battle for cloud platform leadership pushes the technology forward.
- There will be an increase in mobile devices as strategic platforms for commercial and enterprise developers as over 1 billion access the Internet, iPhone apps triple, Android apps quintuple, and penetration of Apple's iPad and Amazon's Kindle grows.
- Public networks will continue aggressive evolution to fiber and 3G and 4G wireless. 4G will be overhyped, more wireless networks will become “invisible,” and the Federal Communications Commission (FCC) will regulate over-the-top VoIP (Voice over Internet Protocol).
- Business applications will undergo a fundamental transformation—fusing business applications with social/collaboration software and analytics into a new generation of “socialytic” apps, challenging current market leaders.

- Rising energy costs and pressure from the Copenhagen Climate Change Conference will make sustainability a source of renewed opportunity for the IT industry in 2010.
- Other industries will come out of the recession with a transformation agenda and look to IT as an increasingly important lever for these initiatives. Smart meters and electronic medical records will hit important adoption levels.
- IT industry's transformations will drive a frenetic pace of merger and acquisition activity.

That looks like a lot of change to come, but likely it is only the tip of the iceberg. Nearly every forecast from the past has been surpassed by reality. And if the past teaches us one thing . . . the future will have much change and opportunity for those who are willing to embrace it and to build on it.

LEADING BY EXAMPLE

The Microsoft Infrastructure Optimization Model and customer case studies illustrate infrastructure maturity concepts throughout this book. The customers encompass a wide range of industries—from manufacturing, to entertainment, to the financial sector. Some companies are privately owned, and some are government agencies. But one of the best examples of how a company infuses technology across the breadth and depth of its business practices is Microsoft itself. Microsoft's chief information officer and his team are among the most sought-after and valued speakers in customer engagement. Instead of you coming to Redmond, Washington, we will share some of the Microsoft findings in this book too. Granted, the company does have a certain expertise in using technology tools. However, if we look at some of the business practices Microsoft uses, we see powerful examples of owning technology versus just using it.

How does the actual IT environment contribute to the largest software provider's business? Although Microsoft has had solid growth with popular products, its profitability also depends on keeping costs as low as possible while maximizing impact. The company is not immune to everyday business tasks such as ordering supplies, printing pay

stubs, processing expense reports, and connecting colleagues across a geologically diverse company landscape.

For example, the procurement process at Microsoft was once so manual and error prone that the average cost to order anything from pencils to servers was more than \$60 per order. Do you or your executives know what your organization's costs are? Multiply this over a workforce of thousands of employees (for Microsoft, about 50,000 at the time) and you see the problem. Let's look at something as simple as ordering business cards. When using paper forms, it is easy to enter the contact information incorrectly. The resulting printed cards are useless—lost time and money. Chances are high that the approving managers' contact information or the department code that should be charged for the order was entered wrong as well. More delays, and correction costs add up.

To reduce the error rate, entry time, and cycle time, Microsoft automated the procurement process for business cards and just about everything else the business would need. Six people took four months to design and build a new database server and Web server to link the email, Human Resources, and electronic document exchange systems together.

After automation, all ordering was done online using an always-current form. Common information was queried and prepopulated from the corporate database, significantly reducing errors. Since the Human Resources system was integrated into the solution, approval, billing, and shipping information entry was automatic. Although information could be overridden, the system usually was accurate and better than the employee's memory or typing skills.

Email integration ensured automatic approval notifications on any type of order. In addition, the electronic exchange integration enabled staff to see a vendor's stock levels at the time of order. It also created error-free transaction hand-offs between companies.

After the new order system MS Market launched, the per-order cost went from \$60 to less than \$5, saving Microsoft over \$15 million annually. The total cost of the project was \$250,000.

At the same time, Microsoft standardized on fewer vendors and products. The company was able to negotiate lower prices for higher volumes of consolidated orders. It created simple solutions, such as buying a package of ten computer servers instead of one server for

each of ten different departments. The receiving department used the system to route each item to the correct team.

As needs and platforms change, the systems are updated, continually reducing complexity while maximizing employee productivity with the latest capabilities. The software solution increased agility, reduced cost, and increased the time available to employees to do impactful work by reducing their administrative load.

The ability to automate processes and connect employees directly to information was developed in other areas of the company. Each year, Microsoft spent \$650,000 just to print and mail paper pay stubs. It was a huge bill that contributed nothing to the company's bottom line. Creating a secure online system was less expensive to operate, more flexible, and saved time. Employees are able to view their personal salary details online on demand. Information is available 24/7 to verify deposit details and transaction history for years. When people need a paper copy, they can securely print as many as they need. The system has been saving money and paper for 11 years.

Another unnecessarily complicated process was the expense reporting system. Before Microsoft automated the process, it used paper forms, as most commercial companies do. When the decision was made to eliminate the paper form, the team thought it would be a simple matter of replicating the existing one online.

However, they learned that some steps of the process were unnecessary. For example, the prevailing wisdom of the time was that all receipts over \$25 needed to be submitted by employees and retained by the finance department for tax purposes. In fact, the Internal Revenue Service revealed that it was confused why commercial companies took such great pains to keep all those receipts. The IRS had no such requirement. The final automated process raised the limit for mandatory receipt submission to \$75.

To keep the initial transition as smooth as possible, the first phase kept the standard expense Excel workbook form that was used for many years, but the workflow was automated. That allowed the approval process to route submitted reports to managers wherever they happened to be. It also bypassed approvers who were on vacation or otherwise unavailable, to ensure a speedy review. Too often people had sent paper forms by Express Mail to traveling managers to get them approved in time to avoid or reduce late filing fees.

These initial changes alone saved the company \$250,000 annually in printing and routing costs. Later phases converted the form to an online tool that exchanges information directly with the preferred credit company. As a result, employees no longer float expenses waiting for reimbursement. Instead, they categorize and approve charges so the companies can settle the transaction directly. The software-automated process that saved the company money also increased employee satisfaction and convenience.

As the Internet became more pervasive and robust, it created an opportunity for Microsoft to reduce operations costs and increase convenience in another area. The unified communications environment now serving employees ensures that all communication is accessible easily from anywhere at any time. New collaboration tools have reduced travel costs as well as the need for office space. Vendors and employees working for the company can work from anywhere, from home offices, in all time zones. Since their contact information follows them, they can work with their teams from anywhere. If you call employees' offices in Redmond or Munich, their cell phone or laptop PC may ring on their business trip in Sweden or Singapore. Converting from the standard telephone to an Office Communication Server environment saves the company more than \$90 million annually. In addition to the reduced communication charges, it also simplified the IT environment as it allowed the company to retire its expensive voice conferencing system.

Increasingly even corporate headquarters meetings are going online, eliminating the travel time that would otherwise require a participant to miss part of another meeting. Nor is participation limited by room size any longer. International calling either from or to the employee's home country is simpler and cheaper. Reaching a colleague no longer requires a complicated set of dialing codes. Now it's a simple matter of finding them in the corporate online address book. The system can even report their availability status (called Presence) so no more missed calls or busy signals.

Every day Microsoft is launching new systems to simplify and streamline the way it operates. With nearly 100,000 worldwide employees, the impact on the company is massive. Does this mean you need to be at a Fortune 500 company to make a difference with technology? Simply put, the answer is no. Organizations large and small can and do achieve

the same or even better impact with software. Companies of any size can move from using technology to owning it. Darwin had it right when he said: “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

NOTE

1. Frank Gens, *IDC Predictions 2010: Recovery and Transformation*, IDC Predictions Team (December 2009).

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