

Before transforming your business, transform IT

Typically when starting a speech in Japan one starts with an apology, in America a joke, and in the UK an apology for the joke.

Three women were in a bar talking about their husbands and their various styles of romance.

The first woman boasted, “My husband is a psychologist, and he brings me flowers and says all the right things. That works for me.”

The second woman proclaimed, “My husband is a mechanic, he’s a little gruff but I like that!”

The third woman said: “Well, my husband works in IT, and all he does is sit on the edge of the bed and tell me how good it’s going to be.”

I know it’s an old joke, but IT-enabled business change projects are a lot like the sales and marketing plans of IT suppliers. They both tend to over-promise and under-deliver, typically understating the costs and overstating the benefits. They both classify their work as either ‘must do for competitive reasons’ or ‘a legal/regulatory requirement’. Both often rely on complex delivery chains to make things happen, and in both cases those who did the ‘idea selling’ are nowhere to be seen during delivery ... unless, of course, it looks like it will be a success.

And it doesn’t stop there. It is quite remarkable how many people suddenly claim to be available to help on the projects that are perceived to be ‘sexy’, interesting in the bosses’ eyes, or good for the CV, where the previous week they were all overstretched with work, and underpaid to boot. In the same way it never fails to amaze me that bidding suppliers always claim to be the expert, have done it many times before, have world-class expertise, and not just use best practice but create it.

In many respects I have had a charmed business life. I have had the pleasure of being a CIO twice (ish), a Customer Services Director, an Operations Director, a Managing Director and a Transformation Director. I have been through 26 mergers and acquisitions, tiny and not so tiny, and my current role is as the Government Chief Information Officer (CIO) and Senior Information Risk Owner (SIRO). I have run most sales channels and most business functions. The one thing that has run through every role, in every business I have worked in – public or private sector – in engineering, computer services or financial services, is that the use of technology has always been, and still is, fundamental to success.

After 30 years of mainstream IT-enabled business change experience, what have we learned and what does the future hold? What do I observe today? Well, I am still shocked when I hear senior business people declare as a badge of honour, “I know nothing about this technology”. Every developed country in the world is fundamentally underpinned by the use of IT – every



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business of any scale and sophistication is underpinned by the use of IT – yet one could get the impression that many Boards lack the basic competence in running transformation programmes or projects of any size if IT is playing a role. Some of my colleagues in their more cheeky moments say I should have put the full stop following ‘competence’ in the previous sentence. Are they being cruel? Are they being accurate? Or are they just reflecting on the rate of change in technology, business and life?

When I look around at the way technology has transformed and is still transforming our lives in the public and private sectors, I am truly in awe of what we have changed for the better. Take the public sector in the UK: we operate in over 140 countries; we employ over 5 million public servants who do amazing things every hour of the day in protecting us, fixing us up when we get hurt, keeping the traffic moving, educating our children, and so on. The public sector deals with people of all abilities, in every language, in every circumstance and across every service channel. Unlike our private-sector colleagues, we cannot choose who we wish to do business with and we cannot design our products and services to self-select the customers we desire.

The world has also changed. As of June 2008, 22 percent of the world’s population was using the Internet. Overall growth in Internet penetration has been threefold since 2000. The social networking phenomenon has seen Facebook grow 150 percent over the 12 months to June 2008, and with 130 million unique visitors, it has overtaken Myspace¹. If Facebook were a country, that population would put it between Japan and Russia!

This rate of change is driving social change as well as business change. As comScore likes to say, “online is the new primetime”. Consider these representative figures:

- 99 percent of the US online population search each month, conducting 22 searches per user.
- 75 percent of the US online population stream a video each month, with an average of 70 videos per viewer.
- 66 percent of the US online population visit a social networking site each month, spending 4 hours per visitor.
- *Advertising Age* reported in May 2008 that General Motors, America’s third largest advertiser, is getting ready to shift half of its \$3 billion advertising budget to digital and one-to-one marketing in the next three years.

And the US accounts for only 20 percent of the 820 million global Internet users!

The world is changing and in my opinion it is changing faster than we realize. We are now used to global supply chains, and to purchasing products from one company that are manufactured and ‘white labelled’ by another. Frequently our support is provided from overseas teams. We marvel at how quickly new and exciting companies are formed, and reformed, and merged and closed. We have more information at our fingertips than ever before and many now surf for specifications, price and availability online before we even go to a traditional store – if we go to a store at all.

In the UK not long ago we used to spend less than £100 million a year on IT in schools; now we spend over £700 million. Many children today solve problems as a team, do it online, work collaboratively, appear to have little sense of geographical boundaries, and, in our multi-cultural society, give little thought to race and gender.

1. www.comscore.com

Those born since 1982 (the digital natives) have only ever known the mobile phone and the Internet. They digitally stack their devices and are seemingly able to multitask – even the men! What does this mean for today’s business? We have an education system in the UK pushing out bright, capable, technology-savvy, global problem-solvers – and then they hit our businesses. We say here is your desk, a desktop PC, our rigid processes, you must sit here, work set hours and adopt our norms, and so on. Why would they join? They are more likely to join an organization that recognizes their global problem-solving talents, uses their technology-savvy approach to teaming and collaboration, works with them to understand outputs and outcomes rather than focusing on inputs, agrees the right value set, and then gets out of their way and lets them get on with it. This will be a challenge for us all ... but the opportunity is enormous.

Old paradigms appear to be dead paradigms. Long live the new paradigm, the ‘pizza paradigm’ for both business and IT today.



And what about the rest of the workforce? Are they keeping up in this new world? According to Moore’s Law, the density of components on a piece of silicon doubles every year for the same cost, and this has driven the IT industry since 1965. I frequently ask audiences whether their ability to take on board these inventions and changes is accelerating at the same pace. The answer, once the guffawing has stopped, is always no. It is my belief, Suffolk’s Law if you wish, that our ability to take change on board is inversely proportional to the rate of change occurring around us. In essence, the more we fill people’s lives with new inventions and ways of doing business, the more we retreat as individuals into the comfort of what we know and understand – especially if technologists are unable to articulate the benefit to the user of the new technology or way of working.

Where does this leave the IT industry? We are not immune to the ravages of change and as we too are humans, we too cannot keep up with what we are inventing. This manifests itself in several ways.

Significantly, we are a practice-based profession, not an engineering-based industry. When we start a project we typically do not bring forward the learning of past projects. Yes, we claim to have done this project, or a variant, many times before. However, this is rarely visible in bids. Where is the re-use? Where is the past engineering? Where is the past learning?

It is always interesting to compare what is being bid with what the salespeople are trying to sell. You would expect vendors to be out there selling the capability of their company in any of the newer areas – the opportunities – SaaS, Web 2.0, grid computing and so on. Yet this is rarely the case. Some of this is clearly down to an assessment of what risk the client is prepared to accept; some is down to specifications not being clear; and some to the risk the supplier perceives it is taking; but frequently it appears to be mainly because the supplier does not have enough skill and resources to support such projects. After all, suppliers have the same issue of re-skilling their staff as their clients do. This takes time and investment, and many companies don't want to do this merely on the hope that the client might want to use this new capability.

Within a dynamically changing world, without doubt the war for such talent will be a key issue. Attracting, motivating and retaining a workforce that has the right blend of knowledge, skills and experience will be vital. Unfortunately, experience takes time to develop, and I see time and time again the new kids on the block attempting to fix problems that were fixed 20 years ago by their older colleagues. Unfortunately that experience isn't being passed on.

So, pulling this all together, I wonder why would I use a traditional software house to solve my business problem? Would it be more effective to post my business problem online, describe the outcomes and outputs that I want, detail what success looks like in terms of value creation, customers, my staff, security and risk, timing etc – and then let the generation(s) we have created make it happen?

Do I really care about infrastructure when I can use Google's grid, or Microsoft, Amazon, eBay or Salesforce.com? Do I really care about SAP or Oracle when there are plenty of mature (ish) Open Source products around now? Do I really want to put up with long development cycles on products that might have a short shelf life? Do I really want to be charged for products from an integrator when I can buy them cheaper direct? The list could go on and on.

It is quite amazing what a recession can do to sharpen the focus on cost versus value debates. Options that were dismissed as 'too hard' are now back on the table, and once they have been adopted the market shifts again.

In the UK Government, via the CIO Council, we are working with industry to create a new model based on what we see as the key challenges and opportunities – those I've detailed in this paper – and what we come across in our daily lives. Our aim is to develop a model that promotes real clarity on what 'good' looks like, whether it be for desktop computing, networks, data centres, applications, people or processes; and then to execute against that model.

For instance, the public sector in the UK has the world's largest virtual private broadband network in the National Health Service. We also have one of the world's largest wide area networks in GCHQ. And we have SuperJanet – a massive bandwidth infrastructure for higher education and research. Let's not forget the many hundreds of other, smaller, wide area networks that we also have – how many times have we paid for the same bit of infrastructure?

In the application space the big debate involves answering questions such as:

- Database is commodity, so it should be free – so how do we get to that position? (... Open Source).
- CRM/ERP should be services-based – so how do we get to a £1 per seat per month pricing as they add little intrinsic value in their own right? (... Open Source).
- How can we stop licensing arrangements that prevent us from moving around licences we have purchased via the public purse? (... through Open Source)
- How do we stop the public purse paying twice for something it already owns?
- How do we stop suppliers charging us more for a product they purchase on our behalf than we would pay if we purchased direct?
- How do we stop departments reinventing the wheel?

As we answer these questions the world shifts again.

Clearly, moving to Open Source will be part of this solution, as will shared services and common infrastructure such as our national identity checking and verification service, Government Gateway, our common desktop solution (Flex) and the national citizen database used in the Department for Work and Pensions. These items, and more, form part of the Transformational Government Strategy.

To wrap up: without doubt the worldwide IT industry has fundamentally changed the world for the better and this will continue. Our challenge going forward is not one of invention or lack of creativity, but of harnessing creativity and the options it creates without traumatizing our people to the point where their productivity declines, not increases. This requires a broader perspective and much more integrated, cooperative thinking.

We CIOs, as change leaders, and the IT industry as a whole, are perfectly positioned to drive forward these business agendas. We know how technology can be used to create value. We are experts in problem solving and we understand how to encourage people to adopt and adapt to new ways of working. However, for IT organizations and IT suppliers to thrive in this next wave of innovation, we must reinvent ourselves, and not fall victim to the same resistance to change that has paralyzed so many of our customers, users and employees.