

# High Impact Projects

A Newsletter About Getting Important Things Done.

## 15 Ways to Improve Your Information Technology Organization

(also can be used as a Balanced Scorecard Evaluation)

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Why do some computer departments generate clear and dramatic business results while others produce a nebulous return on investment (at best?) Why do the computer projects of some businesses consistently deliver as promised while other computer projects flounder?

During my 20 years of practice and my association with the Project Management Institute and the Institute of Management Consultants, I've seen some common patterns among the effective organizations. Following are my 15 "tips" for doing IT right. This list can also serve as the basis for a "balanced scorecard" evaluation of a particular department.

1. **Link IT Goals With Business Goals:** In many businesses, the crucial need is for improved sales, improved gross margins, opening new markets, etc. In other firms, operating efficiencies such as reduced costs or improved customer service are the mandate. In some businesses, the financial systems need attention so the business can understand costs, manage cash, report results, etc. Whatever the priority (and it is nearly always one of these three), the acid test is whether every person in the computer area can explain how what they are doing directly contributes to these priorities. Every dollar and every hour must be focused to the strategic needs of the business. Note that this link cannot happen unless your computer department management is an integral part of planning and strategy development.

2. **Establish a Vision, Mission and Values Set for the IT Department:** Norman Schwartzkopf writes in his autobiography that "...a unit must have a defining mission – a purpose that the people can get behind..." He also explains that unit commanders need to take initiative to develop that mission, instead of waiting for their superiors to hand it to them. There are few areas that I can think of where these principals are more relevant than the nebulous world of computer systems and business processes. Note that a clear mission needs to extend down to the project level.
3. **Establish Pre-defined Goals & Measure Performance Against Those Goals:** The flash, sizzle and immaturity of the computer industry have led to bad habits. We allow computer technicians, managers and vendors to stumble forward, then tell us what a great job they have done. To borrow a Warren Buffet phrase, "managers shoot an arrow at a blank canvas, then paint a bull's eye around wherever they hit." I have found great benefit in requiring technical people to define what they will accomplish in layman's terms, and then holding them accountable for performing as promised. The good people flourish and the problem people seem to melt away.
4. **Balance the Cost and Resource Demands with the "Project Portfolio" You Have Agreed to Complete:** It is normal human nature to try to do too much with too little. I did

one project where we totaled up all of the demands on the computer department for a subsidiary of Johnson and Johnson. We found that they could not have met those expectations even if they doubled their current staff! We must introduce a realistic assessment of the total work needed to accomplish the priority items. We need to then staff to those priorities, or scale back the priorities if we have limited budget for staff. A useful way to think through all the projects is to classify them into one of four categories:

5. High strategic value, high immediate value
6. High strategic value, low immediate value
7. Low strategic value, high immediate value
8. Low strategic value, low immediate value
9. **Select the Right Leaders, Train Them and Evaluate Them:** Have you ever seen a hotshot sales person promoted to sales manager, only to fail miserably? Imagine a computer technical person whose skills are obsolete ending up as a manager - just because he or she is there. Next time you get a chance, ask a computer department manager how many hours of management training and development he/she has had this year (or ever.) Replacing marginal managers with effective, trained and evaluated leaders is probably the greatest single factor in improving the performance of a computer department. Another plus is that effective managers raise the performance bar for everyone in the department.
10. **Establish An Effective Project Accounting & Control System:** "We've now spent 80% of the money budgeted for this computer project. Is 80% of the work done?" Traditional accounting systems fail miserably at answering this question. The best project accounting and control system is called Earned Value Project Accounting. It is a school of thought - not a product - which has been advocated for years by the Project Management Institute. I have published several articles on the application of Earned Value to computer software projects. Ask me if you would like more information.

11. **Implement a Service Request and Problem Tracking System:** This is one place where a tool is necessary once you reach a certain size. All of the effective organizations that I know use some type of tracking system to deal with the blizzard of requests, details and issues that arise with computer software. The acid test is whether or not the work shown in the system is the actual work that is taking place.
12. **Create an Urgency to Focus on Business Processes:** Business computer systems exist for the primary purpose of improving business processes. Yet, failure to match the business process with the computer software is the single most important failure of computer projects (in my view.) You would have to work with me in the bowels of computer projects and departments to get some sense of the magnitude of the distractions that pull us away from a process focus. Technology fascination, haste, constant change, ineptitude, laziness, politics and more cause software and process mismatches. We need to elevate process focus to an imperative and zealously protect it from dilution.
13. **Create an Urgency to Focus on Business Results:** Computer departments do not exist to allow smart people to play with new toys. They do not exist to help people improve their resumes. Again, the distractions are legion, but the effective computer organizations are continually asking, "Where is the payback? Where is the business benefit? Where is the ROI?" Ineffective organizations believe that activity, process and technology are sufficient ends unto themselves. One sign of a business-focused computer department is that a cost/benefit analysis is conducted on all major expenditures.
14. **Create an Urgency to Focus on Customer Service:** Both within and outside of the computer department, I have seen dramatic improvements when people begin looking at their jobs in terms of serving internal and external customers. It also helps substantially

when co-workers say to each other "...as your customer, here is what I need..."

15. **Consider Using a Pay-for-Performance System, Especially for Projects Involving Many Departments:** Computer projects are big, tough, ugly and demanding on people. Done effectively, I have seen them produce millions and millions of dollars in benefits. Given these risks and potential paybacks, I have become a strong advocate of pay-for-performance systems. The key is that the performance bonus must extend to all those involved in making the effort successful – both inside and outside of the computer department.
16. **Find the Right Organization for Your Work Load:** One of the greatest lessons I have ever learned was from Peter Drucker. "We must understand the work to be done – then design the organization to fit the work." I can't count the number of times I have seen a new and important project compromised because it was executed by the wrong people organized in the wrong way. One of the reasons that Desert Storm was so successful was that the Goldwater-Nichols act of the 1980s revamped the U.S. Army's organization to effectively support the type of war fought in the Gulf. Contrast the Gulf War to Viet Nam and you have some idea of the impact of organization issues.
17. **Invest (Cautiously) in Tools & Training:** This is one place where some spending pays off. When the above items are addressed first, the right training and tools can launch a team or department into spectacular performance. Of particular note is an effective time capture system for recording how personnel spend their time and tracking that time back to project accounting (the Earned Value system discussed above.) Note that good tools and training will not pay off if the above items remain unaddressed.
18. **Watch Out for The Sharks:** Unfortunately, there is evil in the world. In my judgment, a great many vendors and consultants are also marginally competent. The Horror Stories that

you hear about are usually so dramatic because of the combination of the two factors. The worse news is that you may find incompetence and non-integrity conduct within your organization as well. The good news is that the above techniques have demonstrated the capacity to keep things on track and minimize the "shark bites." One particular tactic to watch out for is the "go, go, gotta do it now, we're going to miss the window if we don't act right now" line. For me, getting rushed is the first sign of trouble on the horizon. Effective IT efforts take time and deliberate action.

19. **If You Ask, I'll Tell You My Secret Weapon:** Those of you that know me are aware that I am regularly involved in projects that produce 500%-plus paybacks. There is one more "secret weapon" that deserves much of the credit for these results. It is a complex and sensitive matter, so I won't write about it here – but if you call me, I'll tell you.

#### Some Other Items to Think Through:

- **Project Management** is essential for implementing the above recommendations, but it is not enough on it's own. Beware of those that advocate a buzz-word or one-sentence panacea. It takes diligent, deliberate effort over time to substantially improve the performance of a computer department. You will note that the above recommendations are specific and measurable. The panaceas usually don't lend themselves to scrutiny and evaluation.
- **Weigh the Costs and Risks of Aging Systems:** Many consultants and vendors will urge you to upgrade your systems to the latest technology. I find this counsel self serving and a waste, unless clear cost / benefit paybacks exist. I will point out, however, that I have seen some clients get hurt badly by failing to make reasonable investments in systems. They wake up one day to find themselves stuck with outrageous maintenance costs, inflexible systems and huge investments necessary to simply stay even.

- **Look for Ways that Computer Systems Can Make It Easier for Your Customers to Do Business With You:** Think through how you can extend your systems to improve service and value for your customers. Often this will involve web sites and the internet. While we have seen many excesses and waste in the last few years, some applications can be very beneficial with moderate cost.
- **Look for Ways that Computer Systems Can Make It Easier for You to Do Business With Your Suppliers:** I dislike buzzwords, but you've probably heard the term "supply chain management." A part of this concept involves extending your systems to better involve your suppliers in engineering and design, purchasing, inventory management, shipping, etc. Cost savings and service level improvement opportunities are substantial.
- **Watch for Special Circumstances Requiring Extra IT Management Attention:** Mergers / acquisitions of major systems, implementing major new software packages and high-risk projects involving substantial new technologies all require extra attention. A common mistake is to give these projects to someone who is already doing the job of two people. Another common mistake is giving the project to someone without the necessary skills or experience.
- **Understand Your Costs and Margins:** If you are concerned about all of this costing too much money, is it possible that you are in business niches where the margins are too low? Do you really understand the costs of serving the customers in each or your niches? Yes, IT is a significant cost component, but it is by no means the only or the largest.

This is one reason the IT department must stay linked to the strategic priorities of the business. Presumably the business is continually looking toward new niches, increasing margins and redirecting resources to the most profitable opportunities. If we don't understand our costs of generating a dollar's revenue from those niches (including IT costs), how can we make rational

decisions? This is the value of having a business-oriented person running your IT organization. The technology mind is rarely going to think in these terms.

- **Additional Best Practices To Think About:**

There are many additional best practices that might be useful in improving the results from your computer department. I will mention a few:

- **Providing Management with Meaningful Operating Information:** Do your competitors have better information about their costs than you do? Are the sales reports printed by your current systems actually useful? Do your executives find they must do a great deal of manual manipulation of information before it is meaningful or trusted? Often, substantial improvement in this area can be made at modest cost.
- **Benchmarking:** You may want to look at how similar organizations are getting the job done in their IT departments. Keep a particular eye on the levels of service they provide their customers and the percent of gross revenues that they spend in the computer department.
- **Security, Backup, Disaster Recovery:** Unfortunately, these are issues that need to be attended to in these current times.
- **Methodologies (and other Panaceas):** Methodologies certainly have merit, but what really counts is that the person using the methodology understands when certain steps are essential and when steps can be ignored.
- **RAD, JAD, Object-Oriented, E-Commerce, GUI and Other Fads:** Some of the underlying concepts behind these buzzwords are extremely useful. Some of them are largely vehicles for extracting money from unsuspecting clients. The hard part is knowing which is which – and you will probably need some objective, third party help for this.

- **IT Department Culture:** A culture exists within your computer department. It may be positive or negative, but it is there. Much of what has been discussed in this newsletter is aimed at drawing your team together into a culture of business results, customer service, effectiveness and competitive advantage.

**Summary:** Note that the above require little or no capital expenditure. Order of magnitude improvement lies in leadership, people and process improvement – not in tools and technology. Don't let me give you the idea that I have this all figured out – I still learn things every day – and still make mistakes. The items listed above are the things I have seen work multiple times in many different settings over the years.

Regarding the overall performance of your computer department, Peter Drucker put it best in *Management Challenges for the 21<sup>st</sup> Century*: "There is no better way to improve an organization's performance than to measure the results of capital

spending against the promises and expectations that led to its authorization."

My hope is that you can adapt some of these concepts to help your firm be counted among those that reap solutions, profits, growth and competitive advantage from computer department expenditures.

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