

MONTHLY NEWSLETTER

VOLUME 1, ISSUE 3 OCTOBER 2007

MANAGING INFORMATION TECHNOLOGY OPERATIONS AS A BUSINESS ENTITY

In 1997 during a job interview, a Chief Financial Officer of a major corporation in the twin cities asked me about the newest trends in the technology arena. Since I worked at a major computer manufacture at the time and happened to be supporting fortune 500 companies throughout the US, I suggested that corporations around the country will begin to recognize the need to operate their information technology organizations like a business unit. His response was a resounding "no that will never happen at this company".



Surprisingly, I was hired for that job and eventually we did begin the process of operating the IT organization like a business unit. So the obvious question for everyone is what caused this dramatic change? To the business units we supported, the dramatic increase of technology costs year to year became overwhelming. Business people could not understand why desktops costs were two to three times the cost of a retail package from their local computer store. They were also just as astounded to the cost of servers, data management and IT projects. In fact, they could not comprehend the need for the organizations head count.

Ten years later in 2007 during a similar conversation with a Chief Executive Offi-

cer, his opinion was exactly the same. This time, however, I decided to ask him a few questions to examine the similarities between an information technology organization and a business unit. The first question "do you agree that both a business and IT have customers?" His response was yes, business is external and IT is internal.

The first question "do you agree that both a business and IT have customers?"

The next question "do both a business and IT sell services or products to their customers?" After a moment of thought, the CEO stated that his business units sell their products/services and IT just **provides** both products and services to their internal customers. The last question was even more thought provoking "if one of your business units is continually increasing their expenses, is known to have poor customer relationships, adapts a philosophy of providing product or services with no **commitment** to their customers...would you continual to support that philosophy in that business?"

The CEO never answered the question. I think he glimpsed the concept of how useful it would be to mirror some aspects of operating IT as a business committed to providing products and services to internal customers.

When a company or group is committed to selling their products or services, that commitment suggests that these products and services have value. The best way to know

if value exists is to see if anyone wants to buy your product or services. If they think your value is too expensive, you will need to look at your product and service offering to find ways to reduce the cost. In any organization if you just **provide** products or services, do you really have an opportunity to receive input and adjust your value offering? If the customer still thinks your value or price is too high, you know have an opportunity to educate your customer on the real cost. Most of the time, a customer is unaware of the real cost of delivering products or services.

The next question "do both a business and IT sell services or products to their customers?"

When I was an Information Officer responsible for four of the five major business units in one corporation, I was aware of a problem with the replacement of printer ink cartridges for one of my business units. The corporate IT team responsible for that service was completely unaware that a problem existed. Simply, this business unit never contacted them through the help desk for any printer ink cartridges or if they needed more printers. This corporate IT team had documentation to support their conclusions. From their point of view these printers

Continued on Page 2

CONTINUED FROM PAGE ONE

were not used even though the business unit was paying for several printers in this one department. This corporate IT team **provided** both the printer and ink cartridges in a packaged, yearly cost. So, we coordinated a meeting with the corporate IT team and a group of employees from the business unit to find out what was the problem. It appears the business employees contacted the help desk when the cartridges ran out of ink. Sometimes it would take two to three days for a new cartridge to be installed. Secondly, even though corporate IT **provided** printers based on desktop headcount, this department needed more printers due to confidential

information and the type of work performed. Therefore, the business unit purchased their own ink cartridges and printers when they needed them...at their own expense. This is what happens when a group **provides** a product or service to any customer. It is too easy for the customer and service provider to disengage from a relationship. Unfortunately, when this is realized it is usually too late. Customer relationships are damaged. Customers will always find a way to replace what exists with a value proposition that works for them.

The concept of operating an IT organization as a business is not new. Many companies have successfully implemented a shared services program for both their US domestic and international business operations. Understanding the process begins with the Executive Officers of

the corporation and needs to be gradually disseminated through business leadership. When the business leaders visualize the value of information technology being utilized as a strategic component in their company, the information technology organization can learn and experience how to sell products and services that are value based and customer specific.

If you interested in learning more about operating information technology as a business, please contact The MINCON Group.

Karl E. Wondrak
kwondrak@mincongroup.com

KARL WONDRAK IS SET TO SPEAK AT THE FINANCIAL SERVICES—LOCAL INTEREST GROUP SECTION OF THE MINNESOTA CHAPTER OF THE PROJECT MANAGEMENT INSTITUTE CHAPTER DINNER MEETING ON NOVEMBER 15, 2007

FOR MORE INFORMATION GO TO [HTTP://WWW.PMI-MN.ORG/](http://www.pmi-mn.org/)



FS LIG -- "What Is Your IT Towing Capacity?"

Speaker: Karl Wondrak
Date: Nov 15, 2007
Time: 5:30-6:30pm
Event ID: FSLIG 11/15/07
PDUs: 1.0
Cost: No cost - PMI-MN membership NOT required to attend.
Location: Hilton, 34th Ave & American Blvd East, Bloomington, MN

Program Description:

What can happen to your project if you do not know the capacity of your IT organization? You will probably be over budget, behind schedule, or lack qualified resources. When a person understands their IT organization structure, processes and capacity their opportunity for project success is drastically improved.

The key to a successful project or program implementation begins by preparing for your success. As Clint Eastwood once said in one of his movies "everyman must know his limitations".

If you are interested in learning how to identify the limitations that exist in information technology, we hope you join us!

PMI-MN LIGs (Local Interest Groups)

- Consulting (coming soon)
- Financial Services
- Healthcare Project Management
- Information Systems
- New Product Development
- Program Management Office

LIG Session Agenda

Topic - Posted as available

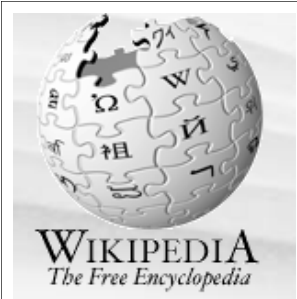
Time - 5:30-6:30pm. Intro / Presentation

Attendees - All welcome. PMI-MN membership not required

Registration - Not required

Cost - None

PART THREE
THE UGLY



Shared Services are the convergence and streamlining of an organization's functions to ensure that they deliver the organization the services required of them as effectively and efficiently as possible. A key advantage of this convergence is that it enables the appreciation of [economies of scale](#) within the function and can enable multi function working.

Shared Services are more than just centralization or consolidation of similar activities in one location. Shared Services mean running these service activities like a business and delivering services to internal customers at a cost, quality and timeliness that is competitive with alternatives.

IT SHARED SERVICES: THE GOOD, THE BAD, THE UGLY

In the last two issues I went over why companies move to a Shared Services model (the good) and the fact that it does not happen overnight or without a lot of work (the bad). In this last article I will tell you what I see are two of the main reasons an IT Shared Services organization can fail (the ugly). I will also wrap up this series with some views on where you can start in your organization if you want to create an IT Shared Services Model and a few thoughts to keep in mind on your journey.

The Ugly: Why Shared Services can fail

The main and major reason for a failure of a Shared Service organization is the lack of executive support in either the business and/or IT for the support of the model. It needs to be there at the start and continued year after year, especially by IT Management. The next best reason for failure is the lack of communication with your customer. You will need to view the business as your customer, create an open environment with them, focus on “Are we delivering the right products and services?” Be responsive to and anticipate their changing business needs.

Unless you have good Executive support for Shared Services along with a good communication plan, do not start on the Shared Service path, you cannot be successful without them. If you lose either after you build the Shared Service organization, you will eventually see the organization crumble.

Conclusion

To make IT Shared Services model succeed, you must take a disciplined approach. Create an initial cost and services baseline, measure service delivery through internal and external benchmarking, market these savings and efficiencies to achieve and

retain the executive support you will need, and create a transparent funding model. Most successful businesses hold their IT shared services organization to a market standard of excellence.

A good place to start your journey is in the data center where Shared Services and, in particular, a Shared Infrastructure, can help build an Adaptive Infrastructure, one that will reduce costs, improve speed, increase quality of service and accelerate change.

Always remember, the shift to Shared Services involves a customer focused approach to providing IT internally, emphasizing efficiency without redundancy and bringing your company greater flexibility in sourcing options for delivering IT services throughout the organization.

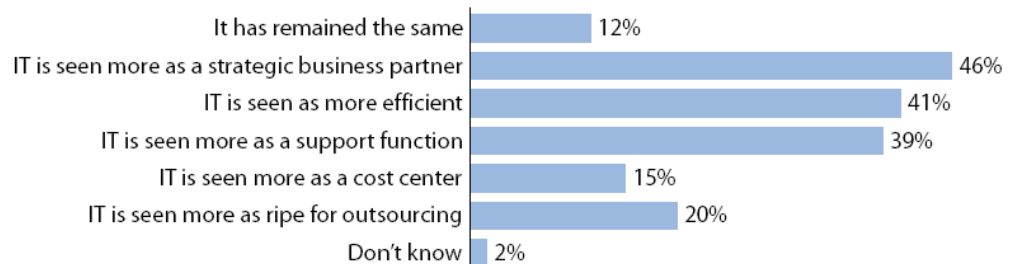
Open avenues of communications with the customer, align IT resources as relationship managers to help accomplish this, have them develop Partnership Agreements and Service Level Agreements between Shared Services and the customers. Schedule regular meetings with the business to understand their needs and issues. Have an annual meeting with management to review deliverables, operational level agreements, and service level objectives.

Finally, remember Shared Services is a set of principles for organizing work to be more cost effective, and business and service-like in its approach to delivering results to its customers. It is one of the primary steps in running IT as a business.

Next month I will discuss “Partnership Agreements” and how they work to clarify the relationship between the Business and IT.

Ted Wendel
twendel@mincogroup.com

“How has the move to shared services affected the perception of IT in your firm?”



Base: 61 technology decision-makers at North American \$1B+ firms (multiple responses accepted)

Source: Forrester Research, Inc.



MANAGING EDITOR
TED WENDEL

PHONE: 612-990-1777

E-MAIL: TWENDEL@MINCONGROUP.COM

Contributing Editors

Karl Wondrak

E-mail: kwondrak@mincongroup.com

ABOUT US

The **MINCON Group** is an affiliation of Independent Consultants from various business and corporate disciplines whose common goal is to achieve business results through **Innovation, Experience and Leadership**. The group is comprised of senior level managers and professionals offering a variety of services in the areas of Leadership, Strategy, Assessments, Seminars, Turnarounds, Cross Cultural and Multi-Country Engagements.

Each of the Independent Consultants affiliated with the **MINCON Group** are incorporated and insured. This guarantees that each business client is working with a business owner whose success is based upon their ability to deliver results and complete customer satisfaction. Their success is their reputation in the marketplace.

The **MINCON Group** established an affiliation with select Consulting and Management Consulting companies. These relationships are leveraged to enhance our services offering. The affiliations provide competent temporary staffing for projects, programs and a packaged solution for any customer's unique requirements.

The **MINCON Group** publishes this "Monthly Newsletter" containing a variety of articles which describes actual business issues. These articles are written by us for our clients, the affiliates and the industry.

We also participate in public speaking engagements. A list of speakers and suggested topics is listed in our Services section on our web site.

WE'RE ON THE WEB

WWW.MINCONGROUP.COM



UPCOMING IN OUR NOVEMBER ISSUE

- A Common Sense Approach for IT/Business Turnaround
- Partnership Plan - an IT service contract overview

If you would like us to speak on any topic listed in our Services section on our website to your group or staff, please contact us.



We are also available for a free individual or team consultation on any service we offer.