Thinking Strategically about Technology in the new Millennium

Bob Zahler & Alistair Maughan

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Outline

- Setting the scene: *Themes of the Conference*
- Current trends in the technology industry
- Nature of the market and players
- Broader Application of the Outsourcing Paradigm
- Impact of E-commerce and Commoditisation
- Importance of Process and Transaction Management
- Illustrations from major global technology projects

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Themes

- Trends in Technology Transactions

- Maximising benefits from ever-evolving technology

- Focus on the interaction of process and substance

- Levelling the playing field in transactions

Current Trends

- "Technology Industry"?

- Effect of convergence

- Globalisation

- Moving up the value chain

Nature of the Market

- Sourcing transactions constantly evolving (e.g. BPO; ERP)

- Sourcing has become multi-platform

- Single mega-deal -v- "best of breed"

- Technology is a way to enhance business, rather than an end in itself

Nature of the Parties

- Traditional vendor/customer model

- Now moving toward strategic alliances and development of interdependencies

- Vendor/customer alliances
  (e.g. Commonwealth Bank of Australia/EDS; Delta Airlines/AT&T)

- Customer-driven vendor alliances
  (e.g. JP Morgan "Pinnacle" Alliance; BancOne "TechnologyOne" alliance)

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Nature of the Parties (2)

- Vendor-vendor relationships
  (e.g. IBM/AT&T; EDS/MCI WorldCom; Telstra/IBM; EDS/Digital)

- Aim: to move up the value chain from commoditisation to business transformation

- Parties are recognising the value of competition

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Broader Application of the Outsourcing Paradigm

- Growing realisation that the IT model can be applied to other big-spend areas
- Large enterprise procurement (e.g. ANZ Bank and the "shared services model")
- Sourcing as an alternative to privatisation (e.g. South Australia Water)
- Outsourcing drives organisational change
- Emphasis on the need for strategic thinking and planning ahead

Commoditisation

- Commoditisation is an overriding trend
- Vendors constantly re-assessing market position
- Customers and vendors need to position themselves on the value chain
- Tailor your solution to secure best value
- Effect of commoditisation on the CIO role

Impact of Electronic Commerce

- Effects of e-commerce on business and on the pattern of technology transactions
- Globalisation, commoditisation and de-mystification
- Issues of process and substance arise as in "traditional" technology transactions
- Need to re-assess use of technology and its impact on business
- E-commerce solutions are being outsourced either alone or as part of a total IT solution

Common Themes of Transaction Management

- Single source -v- competition
- Importance of preparation and deal structure
- Importance of scope and the scoping exercise
- Importance of interaction of scope, performance and pricing
- Importance of vendor management
- Need to balance "partnership" with a flexible but robust contract

Practical Examples

- UK Government PFI IT project

- European Master Agreement, locally implemented

UK Government PFI Projects

- PFI technology projects worth studying
- Warning signs: insufficient scoping; focus on process not substance; savings as a deal-driver; questionable strategy
- NIRS II; BA/POCL demonstrate need for detailed evaluation of supplier, solution and strategy
- How to deal with post-contract re-negotiation?

European Master Agreement
Locally Implemented

- Multi-jurisdictional structure currently popular in EU
- Suitable for companies whose business units have autonomy
- Centralisation of key issues and pricing
- Local purchasing of local requirements
- Problems : measurement of performance
  - : inconsistent vendor offerings
  - : only works if common IT strategy

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Conclusions

- Strategy and Culture

- Interaction of process and substance

- Organisational change

- Sourcing transactions are a beginning not an end

- Moving up the value chain

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