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Building Relationships and Showing Value: Marketing IS/IT Internally

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Abstract

IS/IT has often been viewed poorly by the organisation, yet the importance of IS/IT to an organisation cannot be overlooked. Status, structure and perception are major factors in determining how IS/IT is viewed by the remainder of the organisation. By shifting towards a flexible structure and a customer oriented focus IS/IT can improve its status and perception within the organisation. Three examples are provided of organisations where the IS/IT function has become more customer oriented. Marketing is introduced as a concept to assist the IS/IT function in this shift to a customer focus. The ability to build and maintain relationships, promote IS/IT products and services and communicate the value of IS/IT within the organisation are seen as vital for an IS/IT function in order to improve its status and perception within the organization.

1. Introduction

Information systems and technology (IS/IT) are considered essential to most modern organisations. From small to medium sized enterprises (SMEs) to large global organisations, IS/IT functions are necessary for purposes such as basic business operations, corporate communication and collaboration and to obtain a potential competitive advantage [22].

IS/IT is undeniably the backbone of an organisation and its commercial dealings [5] and has transformed business practices and can change the way business is conducted [22]. However, in many organisations the immense efforts undertaken by IS/IT to ensure the smooth running of the IS/IT environment go unnoticed by the remainder of the organisation [17]. This can lead to the perception of the IS/IT function contributing little or no business value.

IS/IT staff has often struggled to adopt a commercial focus in the way they perform their activities. IS/IT staff are often perceived as having no real understanding of what the business needs and of being primarily concerned with technology. This is mainly due to the support function mentality [10, 13] and most IS/IT staff having minimal contact with the commercial aspects of the organisation. A more commercial or customer oriented focus will allow IS/IT to promote its products and services, provide value to the organisation and realise its full potential within the organisation.

The paper is organised in the following manner. The next section provides an overview of literature in the areas of IS/IT status, structure and perception. Details of the research methodology are then stated. Three industry examples are documented. The first two examples show attempts by the IS/IT function to introduce a customer and business oriented approach to the delivery of IS/IT products and services. The third example highlights an IS/IT function that must promote its products and service in order to obtain funding. Finally the key points are summarised and conclusions drawn.

2. Status of IS/IT

During the lead up to Year 2000 the IS/IT function and the IT industry was given a very high status in almost all organisations [18]. Given the seamless transition to the new year and the general success of the Year 2000 project, the future of the IS/IT function looked quite promising. However, the recent global downturn that hit the IS/IT industry [21] saw the IS/IT function flounder within organisations. Job availability within IS/IT dropped and corporate initiatives and investments in IT were driven by business need rather than industry or technology hype [20].

IS/IT status refers to where the IS/IT function is situated within the organisational hierarchy and more importantly, to whom the head of IS/IT reports within this hierarchy. Ranganathan and Kannabiran [25] suggest that of critical importance to the status of the IS/IT function is the Chief Executive Officer (CEO) - Chief Information Officer (CEO) reporting relationship. If there is a direct reporting relationship then IS/IT is in a sound position within the organisation hierarchy and can be seen as highlighting the importance of IS/IT to the organisation. Malik and Goyal [16] and Peeney et al. [8] both indicate that IS/IT is viewed as a strategic function within the organisation.

Traditionally, IS/IT has been under the control of the Chief Financial Officer (CFO) [1, 23]. However, in many organisations IS/IT now reports to the CIO. A survey conducted by IDC Australia for their annual Forecast for Management survey (1997-2000) reported that the average percentage of CIOs who reported to the CEO was approximately 44.5% as opposed to 40.5% who reported the CFO [11]. This is consistent with a survey conducted by the Gartner Group in 2002 of its Executive Program members showed that 42% of CIOs reported to the CEO and whereas 41% reported to the CFO [23].

These results suggest that IS/IT is treated in the same manner as all other functional areas of the organisation. IS/IT is now seen as an essential element in the survival of an organisation [16] and as Power [23] highlights, this indicates the growing business-critical nature of the role of the CIO.

3. Structure of IS/IT
IS/IT structure is concerned with the way the responsibilities for IS/IT activities are allocated within the IS/IT function [25]. A centralised management structure with a department head, line or functional managers and various technical, development and support positions reporting to each functional manager was traditionally employed by IS/IT. This approach has often been criticised for a lack of flexibility [26].

To overcome this lack of flexibility a cross-functional team approach is suited. This approach provides an environment where IS/IT can work closely with the business as projects teams can be supplemented with staff from the business units [6]. Ranganathan and Kannabiran [25] discuss a case from India where functional managers were seconded to the IS/IT function to lead the IS/IT team responsible for their area and this supports the cross-functional team approach put forward by Chan [6]. This will help IS/IT to shift more towards a business partner role and have the ability to adapt to the changing needs of the organisation.

To assist IS/IT in all dealings with the business unit (or internal customer), an internal relationship manager or account manager role could be utilised. This position would act as the point of contact between the internal customer and IS/IT and would be primarily responsible for customer satisfaction, project priority setting, and successful project initiation and completion for the business unit they represent [7]. By creating such a role, IS/IT would step away from the traditional technology orientation to include a dedicated customer oriented function within its structure.

4. Perception of IS/IT
The perception of IS/IT within an organisation refers to how IS/IT is viewed by the remainder of the organisation’s employees, covering executives, line management and users. Therefore many perceptions of IS/IT may exist based on an employee’s job function or position within the organisational hierarchy. A user may have a good or bad perception based on their daily use IS/IT in their daily work [14] or their perceived usefulness of a system [15]. Alternatively a senior executive may view IS/IT from a strategic standpoint [1, 5].

IS/IT has always suffered a perception problem and this is often based on a poor reputation in the delivery of projects [2, 24, 27]. While the Standish Group’s bi-annual ‘Chaos Report’ shows improvements in the project delivery other factors have also damaged the perception of IS/IT. Malik and Goyal [16] list, among others, strategic problems, organisational change, user skills, technophobia, technophobes, and poor management as reasons why IS/IT fail to meet management and user expectations and perceptions of IS/IT. Avison et al. [1] commented that IS/IT has suffered from a ‘techie’ image. Ward and Peppard [28] supported this by noting that IS/IT projects have focused on the delivery of technology rather than business benefit. This shows that these perception problems have existed for some time.

However, this poor reputation has not hindered the importance of IS/IT to an organisation. IS/IT supports the operations of individual companies, unites widespread supply chains and connects businesses with customers [5]. Organisations have in the past and are currently using IS/IT to obtain competitive advantages over their rivals [19]. However, in a number of organisations, IS/IT is still viewed as a cost centre and support function [10, 13] rather than a business enabler. IS/IT must overcome hurdles such as this to improve its image within the organisation. Hoffman [12] cites an example from Cisco Systems Inc, where each technology project is the responsibility of an IS/IT and a business leader to take and as such IS/IT is seen as a strategic partner rather than a cost centre.

Perceptions of IS/IT within the organisation are dependent on the relationships built between IS/IT staff and IS/IT users and IS/IT staff and management. These relationships are built at an individual level rather than departmental or organisational level [24]. Ward and Peppard [29] also refer to the relationships between IS/IT and the remainder of the organisation and noted that if this relationship is poor then the ability of IS/IT to make a valuable contribution to the organisation is impacted. Improving this relationship is an important strategy for IS/IT into the future.

5. The Research Methodology
Due to the exploratory nature of this research the findings are described in a narrative form. Three cases are documented of organisations in different industry sectors. These organisations were selected based on access to the organisation via industry colleagues and knowledge that these organisations were developing or had developed IS/IT departmental structures that included a relationship management component.

Data was collected using semi-structured interviews with a member of the IS/IT management team from each organisation. Interview questions focussed on areas such as: organisational and departmental structure; status of IS/IT; value of IS/IT; perception of IS/IT; communications between IS/IT and the remainder of the organisation; the service orientation of IS/IT; and IS/IT planning. For two of the organisations, copies of the IS/IT function’s organisation charts were made available to enable an accurate portrayal of existing and new departmental structures. Interview data was taken in note form and compiled into an account of the interview. The documentation of the semi-structured interview and analysis of each case was validated the interview participants to ensure correct interpretation of the information provided.
The first two examples describe the changes made by the IS/IT department in an attempt to introduce a customer and business oriented approach in the delivery of solutions to meet business needs. A third example is provided of an IS/IT department that must "sell" its products and service to the business divisions in order to obtain the funding to enable IS/IT activities to be undertaken.

6. Industry Examples

A Telecommunications Supplier

This data was collected during a semi-structured interview with the Systems Development Manager.

The IT department structure was originally set up along the traditional departmental lines with the head of IT and four functional managers. Each functional manager was responsible for a team of dedicated staff. The functional groups were, Technical Support, Systems Development and Support, PC and Network Support, Strategic Systems Development. The centralised structure was suited to the organisation as the IS/IT environment was based upon mainframe hardware, in-house developed mainframe applications and a PC-based desktop environment.

A move towards packaged software applications, browser-based application access and a server-based IT infrastructure required the IT department to restructure its management model. This shift to a desktop focus for application delivery has increased the reliance on the network and PC support group. The IT management model now comprises the head of IT and three functional groups, namely, infrastructure, solutions delivery and service delivery.

This new structure has been set up to position the IT department to meet and support the business needs. The most notable change is in the solutions delivery function with the creation of a business relationship role to manage the relationship between the IT department and the remainder of the business regarding the delivery of IT solutions. This role has the responsibility of gaining a thorough understanding of the customer needs, assisting them to plan and prioritise all IT related project and maintenance work and pre-empting their IT needs to assist in planning and strategy formulation. This will allow the IT department to move away from a reactive support mode and become more involved in the proactive management of customer needs.

This newly created business relationship role is also the first step in the formation of a relationship management group within the IT department. This group will also have the responsibility of promoting the IT department within the organisation and being the sole contact point between the IT department and the business and functional units. Relationship building will become a fundamental issue for this IT department as there are plans for it to become the IT focal point of the global organisation's Asia Pacific region. This will require IT relationship building both locally and within the organisation's Asia Pacific points of contact.

A Metropolitan Utility

This data was collected during a semi-structured interview with the Principle Architect - Strategy and Architecture.

Prior to a corporate restructure the IS/IT department operated as a commercial business under the control of the technology trading arm of the utility and was seen as a 'Quasi- Outsource' arrangement. Under this arrangement, the IS/IT contribution to the business was seen as increasing IS/IT profits rather than contributing to the overall success of the utility. IS/IT viewed each employee of the utility as a customer. Services were offered on a fee for service basis and in some cases the service provided did not contribute to the overall direction of the utility. Finally, IS/IT was not perceived as contributing to the business nor offering a value for money service.

The restructure saw IS/IT return to be under full control of the utility and IS/IT report to a business unit general manager. The key drivers identified for returning IS/IT to the control of the utility were; to harness IS/IT for the good of the utility and that IS/IT was seen as an integral part of the utility rather than a service provider. To coincide with the return to full control by the utility, IS/IT was given a new name and refurbished premises. To further assist the new image and status of IS/IT, various internal publications were produced to promote the new IS/IT organisation and its products and services. These publications were supported by internal informational messages from the managing director and the CIO.

IS/IT has two groups to assist in managing the relationship with the business units and the enterprise as a whole. A programme office was created to manage the various IS/IT interactions with the business units, such as, management of service level agreements, co-ordination of business improvement programs and portfolio management of projects and product offerings. A customer relationship management function was created to manage the interaction between business units and IS/IT. This function is the contact point between a business unit and IS/IT.

Two customer councils were set up to review the interaction between IS/IT and the business units for IS/IT related activities. One council is a communication and information forum that provides all relevant information concerning IS/IT projects, directions, products and services and how these are contributing to and improving aspects of the business. The second council is the decision-making forum for all IS/IT activities.
The structure of IS/IT was altered to become more proactive in the dealings with the business divisions via the relationship management and programme office functions. By returning IS/IT to the full control of the utility, the value IS/IT can bring the organisation will be more visible and aligned to the needs of the utility rather than the needs of the IS/IT department and the technology trading arm.

A Government Funded Organisation
This data was collected during a semi-structured interview with the Project Office Manager.

In an organisation largely driven by technology and dependent on Government budget allocations for monetary resources, the IT department is often faced with an uphill battle to obtain the funds required to undertake new project work. The IT department’s business funding model is based on the user pays system and it commences each year with a zero funding bucket. However, there are some set annual fees across the organisation, which are in place to cover core infrastructure required by the entire organisation. Hence, the IT department must promote and sell its products and services to the business units to obtain funding.

The IT department undertakes two forms of promotion and selling. The first form is the negotiation of a two-part service level agreement (SLA) with each business division. In part one of the SLA, IT promotes the support services it can provide to the business unit and negotiates the funding for the resources required to undertake these services. Part two of the SLA details new project work. IT and the business unit negotiate a contract for each planned project, covering time frames, resource requirements and estimated costs. Based on this contract, IT will recruit the necessary expertise to ensure successful delivery of the project. In essence, IT is funded directly from the business division budgets based on the work to be performed by IT for each business division.

The second form of promotion and selling is based on a consultancy model and operates at two levels. The first level is strategic planning for the enterprise and is provided by an Architecture, Planning and Standards group. The second level is related to the delivery of services and is provided by the Application Services group. A relationship management model is used by IT to manage the partnerships created with the business divisions where the prime focus is to monitor the service level agreement and ensure the delivery of all expected outcomes.

IT delivers products and services under a ‘prime contractor’ scenario. IT is responsible for the overall delivery, however, an internal or external service provider may perform the physical provision of products and services. External service providers deliver outsourced services, however these arrangements are controlled by the IT department and ‘passed on’ to the business divisions as if they are being undertaken internally.

The promotion of products and services is undertaken at the annual service level negotiation and any new products or services introduced during the service level period are promoted by the delivery level consultancy. By using the relationship management model to manage customer relationships, sell products and services internally and negotiate the annual SLA, the IT department is in a sound position to obtain the funding required for IT to operate and successfully support the business division requirements.

7. Discussion
A crucial component within any organisation is the relationship that exists between the IS/IT function and the remainder of the organisation. If the relationship is weak, then the capability of IS/IT to deliver value to the business will be restricted [29]. Groue [9] previously highlight this by noting that effective communications and relationships between IS/IT and the business units are the key ingredients to the success of IS/IT [9]. The perception of IS/IT within the organisation has been linked to relationships between IS/IT staff and the remainder of the organisation. These relationships can be individual [24] or organisational [29]. Therefore it is imperative that this relationship is built and managed successfully.

The examples industry documented clearly identify that each organisation has taken steps to improve relationships between IS/IT and the remainder of the organisation. The telecommunications supplier has created a relationship manager role within the IS/IT function. The metropolitan utility has set up two customer councils and created a relationship management role to address the IS/IT and business relationship. Within the government funded organisation the IS/IT function negotiates an agreed SLA with each business division and also employs the relationship management model in all dealings with the business. This indicates that these three organisations have grasped the notion of perceptions being based on relationships as well as the delivery of quality products and services.

Marketing is primarily aimed at the promotion of products and services to a defined market segment, however it can assist in the development relationships between various parties. Kotler quote in Doyle [17] defines marketing as ‘the social and managerial process through which individuals and groups obtain what they need and want by creating, offering and exchanging products of value with others’. Relationship management and the importance of building and maintaining customer relations could be
considered as a component of 'the social and managerial process'.

While marketing is normally considered an external activity between the organisation, its products and its customers, some literature suggests the notion of marketing internally. Ballantyne [3], Doyle [7] and Wilson [30] document the existence of internal suppliers and customers and present the concept of marketing internally. The IS/IT function is prime example of a service being provided internally by one group and used internally by another group [4].

By identifying internal market segments and using marketing techniques in conjunction with marketing's "four Ps: product, price, place and promotion" [7], IS/IT can position itself as an internal supplier of choice. Marketing provides an opportunity for IS/IT to promote its products and services, promote project progress and success, create and advertise effective service level agreements and promote pricing models within the organisation. By marketing these facets of the IS/IT business and providing regular communication to the remainder of the organisation, IS/IT can successfully shift towards a more commercial focus. While marketing may be a tool that can assist IS/IT in promoting itself within the organisation, IS/IT must continually deliver reliable and quality products and services at a reasonable price to ensure an improved perception and image within the organisation.

In government funded organisation, IS/IT could be regarded as undertaking a form of marketing internally via the two-part SLA negotiation. IS/IT promote the support services they can provide and in conjunction with each business unit determine their support needs and the cost of these needs. New project work also falls under this model as contracts are negotiated on a project by project basis for the products and services to be provided. The product, place, price and promotion attributes of marketing appear to be central in the in relation to the SLA negotiation between IS/IT and the business units.

The ability to offer, deliver and support reliable products and services is seen as a must for IS/IT [4]. This coupled with the ability to promote the full array of IS/IT products and services through marketing campaigns and communications will assist IS/IT to become a provider of choice within the organisation. With the government funded organisation the IS/IT function can be considered as the provider of choice as it manages both internal and external suppliers of IS/IT products and services.

Doyle's [7] value chain can be considered as a mechanism to assist IS/IT to become a provider of choice. The value chain encompasses the following steps:

1. Delivery of a stable basic service;
2. Market internally to become the provider of choice; and
3. Provide value to the organisation by exploiting IT opportunities.

Ward and Peppard [29] present a six-step model (developed by Peppard during prior research) that is aimed at improving the IS/IT and business relationship. This model could also be used to assist IS/IT to become a provider of choice. The six steps are:

1. Get the basics right;
2. Enlist key influencers;
3. Build credibility;
4. Seek involvement early in projects;
5. Place responsibility for IS with the business; and
6. Cultivate and maintain the relationship.

This value chain concept appears to have been adopted by government funded organisation's IS/IT function. Basic services are provided across the organisation and the two-part SLA focuses on the support services and new project work. This coupled with the use of the relationship management model helps ensure that IS/IT value is delivered. As this IS/IT function 'sell and promote' their services within the organisation the notion of marketing internally to become a provider of choice appears to be in place. New products and services are promoted via the delivery level consultancy model and this aligns with the last point of providing value to the organisation by exploiting IT opportunities. It could also be concluded that at least four steps of Peppard's six-step model have been adopted given the analysis of activities that match with the steps in the value chain. The steps considered to be met are: get the basics right; build credibility; seek involvement early in projects; and cultivate and maintain the relationship. It may also be possible to assume that the telecommunications supplier is potentially moving towards one of these two models with the creation of a solutions delivery function and the relationship management role within IS/IT.

Hall [10] and Wilson [30] suggest that IS/IT must shift towards a profit centre mentality rather than remain as a cost centre or support function. For this to be successful, IS/IT will be faced with many challenges such as, treating business users as customers, building and developing ongoing relationships with customers, providing value for money service offerings, fee for service costing models and catering for selective product and service requirements by business units. A commercial or customer focus is required to achieve such a shift and this will also provide a big challenge for IS/IT.

In the organisations studied a commercial or customer focus either exists or is being instilled. Both the telecommunications supplier and the metropolitan utility restructured their IS/IT function to become more customer-oriented. The government funded
organisation’s IS/IT function has already shifted to a commercial focus through the "promotion and selling" of their products and services during the annual SLA negotiation.

8. Conclusion
While technology has long been the focus of IS/IT, the current business environment requires a commercial focus and the ability to add business value [20]. The time has passed where IS/IT can hide behind technology advances to justify its budget, for today any outlay on technology requires a sound business justification and a corresponding business value.

How the organisation views the contribution and value that IS/IT provides the business is extremely important. By promoting successes and delivering reliable, quality products and services, IS/IT will be able to minimise negative perceptions and highlight the contribution made to the organisation. IS/IT is now seen as a strategic resource within organisations and in order to be seen as pro-active within the organisation a flexible and customer-oriented approach to the management and functional structure is required. This will assist IS/IT in adapting to and meeting the changing business needs of the organisation.

The industry examples provided show that the IS/IT function is changing its attitudes and methods towards the delivery of products and services to the organisation. Each IS/IT function studied has adopted the relationship management philosophy to actively manage the relationships with the remainder of the organisation. They also understand the need for IS/IT to have customer or commercial focus in all dealings with the remainder of the organisation.

Finally, the concept of marketing IS/IT internally was introduced. While marketing techniques are normally aimed at external customers there is no barrier to their use on internal customers. By successfully marketing internally, IS/IT can improve their status and perception within the organisation. Marketing activities can promote the business value gained from IS/IT and the alignment of the IS/IT strategy and technology offerings to the business goals.

9. References


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