

IT as a Management Tool *by David Lawson*

When the first computer churned out reams of payroll and purchasing tables almost half a century ago, a myth was born that still undermines almost every facet of business. Technology increases efficiency, so the more you have, the more efficient you will be.

There were suspicions even during the frantic transformation of the Nineties that IT might not be all that was promised. Doubters were dismissed as Luddites. 'Everyone was scared of being left behind,' says Andrew Waller of Remit Consulting, a management and IT specialist.

Spending went through the roof, particularly when the Millennium Bug raised its ugly antennae. More staff came in to check the very equipment and software that had only just been installed.

When the spectre of Armageddon failed to materialise and dotcom mania collapsed in ruins, questions began to re-emerge. Was IT really a panacea for rescuing old-fashioned business? What were businesses getting from the billions pouring into the sector?


Analysts finally began looking below the surface and came up with a shocking picture that seemed to confirm those doubts. IT can - and often does - boost efficiency. But gains are marginal compared to improvements in management.

'We are constantly told by clients they must have IT tools so they can be as good as everyone else,' says Waller. 'What they should be doing is looking first at how they can improve their business processes. Simply layering IT over the top won't solve many problems. It may even reinforce them.'

No-one is disputing the fact that IT has made life easier. 'Email is a vital improvement. A couple of years ago clients would have to courier a bunch of disks across for us to fix their data,' says Paul Halford, MD of Kel Computing. 'It could take days. Now we can do it in minutes.'

High-speed number-crunching is also welcome for valuers, and most property and asset managers could not do without their automated systems. But there is remarkably little testing of how much value has been added by every successive wave of spending and no discernible benchmarking.

Management consultants McKinsey points out that 60% of IT projects examined in 2002 went over budget or failed. This was partly through a lack of focus on what they were meant to achieve. People ended up pulling in different directions, and like the committee convened to design a horse, they ended up with a camel.

**'IT is a management tool - it can be a good one or bad one' - 
Dominic Casserley - UK managing partner, McKinsey**

IT cannot achieve success if the underlying business process is flawed. McKinsey's UK managing partner says US banks boosted productivity by

20% in the Nineties by devoting a tenth of their revenue to spending on IT systems such as automated call centres.

Flushed by this success they splashed out more than \$5bn in 2001 on systems to stimulate crossover sales between areas like loans, insurance and pensions. It had almost no impact. In retrospect, the flaws were obvious. Technology was using flawed data, while staff had little incentive to cross-sell and minimal training.

Waller picks an example closer to home. One UK property company had to be told new management software would not work for the most mundane of reasons. Each manager was processing information differently. One might send it to accounting and then asset management departments while another did the reverse.



The solution was to sort out the way information was managed first - then look at overlaying IT. Even simple office functions can stifle change. When PCs first appeared it was common for the best models to be allocated according to seniority. They sat unused in the corner of a partner's office while managers struggled to crunch numbers on less powerful ones.

Software providers still turn up cases where complaints that systems will not work are purely because the wrong people have the best equipment.

Hard evidence rather than anecdotes about the fact that that IT may not achieve the key target of increased productivity is hard to find. But Stephen Dorgan and John Dowdy at McKinsey's London office brought a stack of ammunition to the battle from analysis of 100 European manufacturers.

They found that extra computing power raised productivity by a mere

2%. Yet fairly minor improvements in management, such as cutting waste and setting clear goals for staff, raised the bar by more than 20%. That translated into a 5% rise in return on capital and 42% increase in financial returns.



A parallel can be drawn with service industries. Waller points to Equity Offices, the giant US landlord, which looked at heavy IT investment in its back-office management. But it had to go back to basics after finding information was either missing or flawed. This has raised tenant retention from 48% to 60% - a massive impact given the size of the 122m sq ft portfolio.

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KEY GUIDELINES

'The biggest change is one of culture, not technology.'

Get your staff on board. The biggest change is one of culture, not technology - getting acceptance from users rather than selecting the best software—*Andrew Waller, Remit Consulting*

Win hearts and minds rather than impose diktats from above to change ways of working. One major organisation that appeared incapable of change set out to sell a clear vision and inspired its 60,000 staff. Queues reduced 50% and it launched a new bank which gained 2m customers in two years - *Dominic Casserley, McKinsey*

Work out what you are trying to do. How do you want to run your business? Technology can benefit at three levels Protecting the core activity by staying competitive. Changing the game - such as moving functions offshore to cheaper centres. Making a 'step' change - a new approach which leaves others trailing years behind. In property terms, Stockley did that with the business park; Regus with serviced offices; Pillar through transition to an off-shore manager - *Waller*

Think competitive. If there is no obvious pressure, imagine it. Remember that 'only the paranoid survive' - *Casserley*

Look forward. Most firms look at technology as a 'point' solution rather than a strategy. If a property company, will it cope with transition to a REIT? If an occupier, what about possible outsourcing a few years down the line. As an agent, how will online dealing affect the business? Remember it can take two years to implement systems, by which time everything could have changed - *Waller*

Be ruthless - get value out of existing IT but also challenge the business case for planned projects. Some 60% of IT projects in 2002 went over budget or failed - *Casserley*

Andrew Waller is director of Remit Consulting, specialists in helping companies to use their property information and systems to better manage their business.