

Many happy returns

Hello and welcome to The Infonomics Letter for July 2012. Yes, I'm back, having largely recovered from the illness that struck while I was in Mexico City. It turned out to be a fairly severe dose of influenza which was happily incubating as I boarded the flight from Melbourne. Thanks to the help of a very skilled Mexican doctor, I was well on the way to recovery by the time I arrived back in Melbourne, though the secondary bronchitis has proven a little stubborn.

My return to Melbourne coincided with a very delightful experience – being named as the Victorian ICT Professional of the Year. Details of the award are in "[It's nice to be acknowledged](#)".

Registrations are about to close for the next round of [Aligning Technology to Business](#) seminars – see the [foot of page 1](#) for details.

A past colleague recently said: "I know you are an expert in governance of IT, but what do you actually DO?" Hmm – it seems like a good time to explain, in "[How can I help you](#)".

Dilbert cartoons offer witty reflection on the stupidity which so often afflicts our use of technology. The strip from [Sunday 29 July](#) is a case in point (click the link – I wasn't prepared to pay the license fee). It ties in very nicely to a brief review of Rob Livingstone's very useful book, "[Navigating Through the Cloud](#)". I spent some time with Rob recently, and our conversation is now available as a podcast – details are in "[Dialogue: Governance and Cloud](#)".

An interesting trend seems to be emerging in the marketplace. It's the real driver for the "many happy returns" tagline for this edition. Major companies in Australia and other parts of the world are turning away, at least in part, from outsourcing, and are bolstering their in-house IT expertise. We explore this emerging phenomenon in "[Welcome Home](#)".

Success with IT seems as elusive as ever for many organisations, in all sectors of the economy. Yet analysts tell us that effective use of IT is a key enabler to productivity and therefore to improving economic performance. It's been my view for some time that the reason for failure of so many investments in IT to deliver real value has less to do with the IT suppliers and a great deal more to do with the way business leaders engage on the IT agenda. Next month, we will explore this, "Business Leadership and Productivity" issue in depth.

Finally, Colm Baldwin, a researcher at the Innovation Value Institute in Ireland seeks people who have been involved in major IT projects to respond to a [short survey](#) – please respond by August 3rd.

Please enjoy! Mark Toomey 31 July 2012

It's nice to be acknowledged

On July 4th, the day I arrived back in Australia from Mexico City, I was delighted to receive the award for Victorian ICT Professional of the year, for 2012.



The 2012 iAwards honour both companies at the cutting edge of technology innovation as well as leading professionals across the industry. Most importantly, the iAwards honours the achievements of home-grown Australian innovators. The iAwards program goal is to provide external stakeholders from business, industry and government with a clear view of the people leading ICT in Australia and the quality of innovation being produced.

The ICT Professional of the Year Award recognises an ICT industry professional for outstanding innovation, commitment and achievement in their field and dedication to promoting the ICT profession and helping build ICT in Australia into a world leader which is envied by many countries.

As the state winner, I am now in contention for the national award, with the winner to be announced on August 9th. Click the graphic for more information.

I'd like to express my sincere thanks to my many supporters from all over the world, who each played a part in building my experience and expertise, and the many who helped establish the unique market which I have served since mid 2008. [\[top\]](#)

Aligning Technology to Business seminars for business leaders: Last chance - Register NOW!

In August, the Australian Industry Group will host another round of the popular half day "Aligning Technology to Business" seminar. I will be leading each session.

- Melbourne: 14 August
- Adelaide: 15 August
- Sydney: 16 August
- Brisbane: 17 August

Prior sessions have been attended by company directors and senior executives who confirm that the content is at the right level and relevant to their roles.

Bookings can be made on the [downloadable form](#) until 10 August. Register early to ensure your place in these exclusive and valuable sessions. [\[top\]](#)

How can I help You?

A colleague from my DMR days recently asked what services I offer in the market.

As all readers of The Infonomics Letter know, my core expertise for the 21st century is Governance of IT and I have been fortunate to be recognised as an international expert in the relevant standard, ISO 38500. My services and capabilities are not limited purely to the standard – but they are all informed by the guidance in ISO 38500, and that makes them largely unique. Here are some suggestions:

- [Learn what governance of IT](#) is about, from a business leadership perspective;
- [Read the definitive book](#) on governance of IT;
- [Test your current arrangements](#) for governance of IT to see whether they can be improved;
- [Overhaul your approach](#) to governance of IT, and engage your business leaders in key decisions;
- Build new skills and capability in your consulting practice;
- Give your board an objective assessment of whether directors can rely on the current approach to making IT decisions;
- Evaluate your strategic plan and planning process to ensure that it properly drives the IT agenda;
- Health-check your major IT (enabled business) project and its governance arrangements;
- Health-check your major IT-enabled business systems and their governance arrangements;
- Health-check the management and ongoing operation of your key outsourcing arrangements;
- Challenge your business and IT leaders to explore new IT-enabled business opportunities;
- Add a new and independent perspective to your board IT committee;
- Add a new perspective and independent to your major IT project steering committee.

Right now, I have some spare capacity, so perhaps I can help you drive value and control risk in your organisation's use of IT. [\[top\]](#)

Navigating through the cloud

Rob Livingstone is a well-known commentator on IT in Australia. During 2011, he published *Navigating through the cloud*, describing it as a plain English guide to surviving the risks, costs and governance pitfalls of Cloud computing. I read *Navigating through the cloud* while travelling to Mexico recently, and found it an eminently readable and pragmatic discussion of the issues.

There is a great deal of hype in the market about cloud, and one could be excused for thinking that, with cloud, all risk and effort has been removed from IT, that there is no longer a need for robust control and management of any organisation's IT situation, and that most of the cost of IT has been eliminated. Livingstone systematically dismantles and destroys each of these misconceptions. He explains how a

cloud solution can deliver rapid and economical start-up for a new venture, and then quickly become the most expensive of all options. He positions the added management burden that comes with being just one customer of a supplier that has the option of changing the rules at short notice. He identifies the checks that organisations should make when considering cloud options, and wraps the book with a catalogue of 141 questions in 19 categories that organisations should address when making a decision to go to the cloud.

Despite the cautions he presents, Livingstone is clearly a proponent of cloud computing, and the book reflects practical experience as well as independent thinking. It is a valuable resource for business leaders and IT leaders alike, and should be read thoroughly by everybody contemplating a significant foray into this brave new world. For details see www.navigatingthroughthecloud.com/book/ and www.rob-livingstone.com. [\[top\]](#)

Dialogue: Governance and Cloud

In addition to writing useful books like *Navigating through the cloud*, Rob Livingstone is a prolific generator of useful content in diverse forms. His [Navigating through the Cloud Podcast Series](#) was launched in July 2011, and is now up to episode 33.

I spent time with Rob in early June this year, before my journey to Mexico. We spent around 90 minutes discussing governance of IT in the context of cloud. The result of that conversation is in Rob's podcasts [Episode 26](#) and [Episode 27](#). [Transcripts](#) of these sessions are also available. [\[top\]](#)

Welcome Home

There has been a great deal of concern in Australia in recent years about the falling rate of enrolments in IT-related tertiary education courses. There is forecast to be a serious shortfall in availability of IT skills in the relatively near future. Although there are numerous factors that contribute to this situation, one "explanation" that has repeatedly arisen is that IT careers are not secure, because of outsourcing and offshoring. Indeed, a [news article](#) covering the Westpac Bank CIO message encouraging youth to "get into IT" resulted in a storm of negative sentiment from IT workers. Of 107 comments logged, 67% painted a strongly negative view of career prospects specifically because of outsourcing and offshoring. Other negatives referred to lack of training and poor alignment of academic teaching to market requirements for specific skill sets.

Regardless of whether there is empirical evidence to sustain the assertion, there can be no doubt that there is a perception in the market that outsourcing and offshoring is limiting career prospects for IT graduates. Thus, it is a welcome relief to see hints of a new trend – a reversal of past outsourcing arrangements.

Most recently, we see this happening at General Motors. The [July 13 announcement](#) says that over the next three to five years, GM will move from 90% of IT being outsourced to 90% insourced, "by hiring 'thousands' of new software developers, database experts and others globally". Why is GM making this amazing about-face, particularly now, as it consolidates its post-bankruptcy performance? According to GM's chief information officer the moves will make the company more efficient and productive, leading to new opportunities for innovation that leads to competitive advantage.

A couple of months earlier, in April, [itWire](#) told us that Commonwealth Bank's Technology is one of the three pillars (along with its people and a strong balance sheet) supporting the long term strategy of the bank. The bank's technology, coupled with the productivity benefits that it underpins, means there's "no need to send jobs overseas".

Commonwealth Bank has recently completed a \$1.1 billion core banking overhaul based on SAP's real time banking software. According to the [itWire](#) story, the core systems overhaul has been conducted in-house, and the focus on using home grown local skills will continue. Chief Executive Ian Narev said that his experience with offshoring in the past was that there were often disappointments in terms of the labour arbitrage and service levels which were achieved, and that although the bank would always look at it, there were no plans to offshore any operations at this time.

Since rolling out the new real time banking system, Commonwealth Bank has embarked on an aggressive marketing campaign labelled "Can". According to [Business Spectator](#), the campaign is based on the expectation that the new banking systems will deliver a level of service and productivity that is superior to major rivals.

With the core banking overhaul having been vigorously sponsored by past chief executive Ralph Norris, and current CEO Ian Narev following suit, it seems clear that Commonwealth Bank has understood the critical role of information technology in 21st century business, and intends to exploit technology to secure and maintain market advantage. Having shown that it can deliver IT enabled competitive advantage and a major overhaul from within, there seems little probability that Commonwealth Bank will now revert to significant outsourcing.

Another company that has perhaps learned the hard way about the downside of outsourcing is Virgin Australia. In its previous incarnation as Virgin Blue, the airline suffered an intensely painful 24 hour disruption to its entire domestic operations, when the outsourced Navitaire reservations system suffered a hardware failure. The Infonomics Letter covered this event and its aftermath in [September 2010](#) and [October 2010](#).

In December 2011, Virgin Blue absorbed the operations of its sister international airline, V Australia, and the new entity was rebranded Virgin Australia. Then in February 2012 came the announcement that Virgin Australia would consolidate all of its reservations processing on the cloud-based SabreSonic system.

According to an article in [itnews](#), the decision to move off the Navitaire system was based on functional limitations of a system that is focused on ticketless operations, and has nothing to do with the September 2010 failure. However, there are strong indicators in what was said by senior Virgin Australia executives that significant lessons have been learned about outsourcing. The project, labelled "Unify", to integrate the operations of the two previously separate parts of the airline has a comprehensive business change orientation and involves a substantial increase in in-house IT personnel, from 200 to 350. More specifically, manager of strategy and solutions Martin Campbell said that technology work for the Unify Program would be shared between 100 in-house staff and an integration partner with SabreSonic experience, with permanent, in-house staff associated with all parts of the program to ensure that knowledge remains with the business.

[Itnews](#) quotes Campbell: "Like every other organisation, we've gone through our offshore partnering exercises and like everyone else, we've learned the falsehoods in the economic model," he said. "In this case, we don't feel that we're just outsourcing the work; we definitely feel that we're insourcing some capability and expertise."

So here we have three examples of major companies, one a global operator and two primarily operating throughout Australia, which have recognised that there are advantages in retaining a substantial in-house IT capability. They are not alone. In [February 2012 Suncorp](#) made it clear that IT as a central part of the banking and insurance group as more customers go online, and will not be outsourced.

Is there a trend here? It may be early, but these are major companies that have all explored the outsourcing path and have turned back. No, I don't think they will revert to the pre-outsourcing model, but I do think that they are all putting in a much greater effort to understand what aspects of IT are truly commodities and what aspects give agility, flexibility and competitive advantage.

But perhaps what's more important from an Australian IT industry perspective is that, as more companies recognise the strategic importance of IT, there is likely to be an increasing demand not just for graduates with IT skills, but for people who are going to become key players in sustaining the IT-enabled competitive advantage. These are the people who will be valued, nurtured and grown by their employers, and who will have careers as interesting and diverse as the pioneer generations they are replacing!

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