

# MINI CASE

## Building Shared Services at RR Communications<sup>4</sup>

Vince Patton had been waiting years for this day. He pulled the papers together in front of him and scanned the small conference room. “You’re fired,” he said to the four divisional CIOs sitting at the table. They looked nervously at him, grinning weakly. Vince wasn’t known to make practical jokes, but this had been a pretty good meeting, at least relative to some they’d had over the past five years. “You’re kidding,” said Matt Dawes, one of the more outspoken members of the divisional CIO team. “Nope,” said Vince. “I’ve got the boss’s OK on this. We don’t need any of you anymore. I’m creating one enterprise IT organization, and there’s no room for any of you. The HR people are waiting outside.” With that, he picked up his papers and headed to the door, leaving the four of them in shock.

“That felt good,” he admitted as he strode back to his office. A big man, not known to tolerate fools gladly (or corporate politics), he was not a cruel one. But those guys had been thorns in his side ever since he had taken the new executive VP of IT job at the faltering RR Communications five years ago. The company’s stock had been in the dumpster, and with the dramatically increased competition in the telecommunications industry as a result of deregulation, his friends and family had all thought he was nuts. But Ross Roman, RR’s eccentric but brilliant founder, had made him an offer he couldn’t refuse. “We need you to transform IT so that we can introduce new products more quickly,” he’d said. “You’ll have my full backing for whatever you want to do.”

Typically for an entrepreneur, Roman had sketched the vision swiftly, leaving someone else to actually implement it. “We’ve got to have a more flexible and responsive IT organization. Every time I want to do something, they tell me ‘the systems won’t allow it.’ I’m tired of having customers complaining about getting multiple bills for each of our products. It’s not acceptable that RR can’t create one simple little bill for each customer.” Roman punctuated his remarks by stabbing with his finger at a file full of letters to the president, which he insisted on reading personally each week. “You’ve got a reputation as a ‘can do’ kind of guy; I checked. Don’t bother me with details; just get the job done.”

Vince knew he was a good, proactive IT leader, but he hadn’t been prepared for the mess he inherited—or the politics. There was no central IT, just separate divisional units for the four key lines of business—Internet, mobile, landline, and cable TV service—each doing its own thing. Every business unit had bought its own hardware and software, so introducing the common systems that would be needed to accomplish Roman’s vision would be hugely difficult—that is, assuming they wanted them, which they didn’t. There were multiple sales systems, databases, and customer service centers, all of which led to customer and business frustration. The company was in trouble not only with its customers but also with the telecommunications regulators and with its

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software vendors, who each wanted information about the company's activities, which they were legally entitled to have but which the company couldn't provide.

Where should he start to untangle this mess? Clearly, it wasn't going to be possible to provide bundled billing, responsiveness, unified customer care, and rapid time to market all at once, let alone keep up with the new products and services that were flooding into the telecommunications arena. And he hadn't exactly been welcomed with open arms by the divisional CIOs (DIOs), who were suspicious of him in the extreme. "Getting IT to operate as a single enterprise unit, regardless of the product involved, is going to be tough," he admitted to himself. "This corporate culture is not going to take easily to centralized direction."

And so it was. The DIOs had fought him tooth and nail, resisting any form of integration of their systems. So had the business unit leaders, themselves presidents, who were rewarded on the basis of the performance of their divisions and, therefore, didn't give a hoot about "the enterprise" or about anything other than their quarterly results. To them, centralized IT meant increased bureaucracy and much less freedom to pick up the phone and call their buddy Matt or Larry or Helen, or Dave and get that person to drop everything to deal with their latest money-making initiative. The fact that it cost the enterprise more and more every time they did this didn't concern them—they didn't care that costs racked up: testing to make sure changes didn't affect anything else that was operational; creation of duplicate data and files, which often perpetuated bad data; and loss of integrated information with which to run the enterprise. And the fact that the company needed an army of "data cleansers" to prepare the reports needed for the government to meet its regulatory and Sarbanes-Oxley requirements wasn't their concern. Everyone believed his or her needs were unique.

Unfortunately, although he had Roman's backing in theory, in practice Vince's position was a bit unusual because he himself didn't have an enterprise IT organization as yet and the DIOs' first allegiance was clearly to their division presidents, despite having a "dotted line" reporting relationship to Vince. The result was that he had to choose his battles very, very carefully in order to lay the foundation for the future. First up was redesigning the company's internal computer infrastructure to use one set of standard technologies. Simplification and standardization involved a radical reduction of the number of suppliers and centralized procurement. The politics were fierce and painful with the various suppliers the company was using, simultaneously courting the DIOs and business unit leaders while trying to sell Vince on the merits of their brand of technology for the whole company. Matt Dawes had done everything he could to undermine this vision, making sure that the users caused the maximum fuss right up to Roman's office.

Finally, they'd had a showdown with Roman. "As far as I'm concerned, moving to standardized hardware and software is nondiscussable," Vince stated bluntly. "We can't even begin to tackle the issues facing this company without it. And furthermore, we are in serious noncompliance with our software licensing agreements. We can't even tell how many users we have!" This was a potentially serious legal issue that had to be dealt with. "I promised our suppliers that we would get this problem under control within eighteen months, and they've agreed to give us time to improve. We won't have this opportunity again."

Roman nodded, effectively shutting down the argument. "I don't really understand how more standardization is going to improve our business flexibility," he'd growled, "but if you say so, let's do it!" From that point on, Vince had moved steadily to consolidate his position, centralizing the purchasing budget; creating an enterprise architecture; establishing a standardized desktop and infrastructure; and putting tools, metrics, and policies in place to manage them and ensure the plan was respected by the divisions.

Dawes and Larry Hughes, another DIO, had tried to sabotage him on this matter yet again by adopting another manufacturer's customer relationship management (CRM) system (and yet another database), hoping that it could be up and running before Vince noticed. But Vince had moved swiftly to pull the plug on that one by refusing the project access to company hardware and giving the divisional structure yet another black mark.

That episode had highlighted the need for a steering committee, one with teeth to make sure that no other rogue projects got implemented with "back door funding." But the company's entrepreneurial culture wasn't ready for it, so again foundational work had to be done. "I'd have had a riot on my hands if I'd tried to do this in my first few years here," Vince reflected as he walked back to his office, stopping to chat with some of the other executives on his way. Vince now knew everyone and was widely respected at this level because he understood their concerns and interests. Mainly, these were financial—delivering more IT for less cost. But as Vince moved around the organization, he stressed that IT decisions were first and foremost business decisions. He spoke to his colleagues in business terms. "The company wants one consistent brand for its organization so it can cross-sell services. So why do we need different customer service organizations or back-end systems?" he would ask them. One by one he had brought the "C"-level executives around to at least thinking about the need for an enterprise IT organization.

Vince had also taken advantage of his weekly meetings with Roman to demonstrate the critical linkage between IT and Roman's vision for the enterprise. Vince's motto was "IT must be very visible in this organization." When he felt the political climate was right, he called all the "Cs" to a meeting. With Roman in the room for psychological support, he made his pitch. "We need to make all major IT decisions together as a business," he said. "If we met monthly, we could determine what projects we need to launch in order to support the business and then allocate resources and budgets accordingly."

Phil Cooper, president of Internet Services, spoke up. "But what about our specific projects? Won't they get lost when they're all mixed up with everyone else's? How do we get funding for what we need to do?"

Vince had a ready answer. "With a steering committee, we will do what's best for the organization as a whole, not for one division at the expense of the others. The first thing we're going to do is undertake a visioning exercise for what you all want our business to look like in three years, and then we'll build the systems and IT infrastructure to support that vision."

Talking the language of business had been the right approach because no one wanted to get bogged down in techno-jargon. And this meeting had effectively turned the tide from a divisional focus to an enterprise one—at least as far as establishing a steering committee went. Slowly, Vince had built up his enterprise IT organization, putting those senior IT managers reporting to him into each of the business divisions. "Your job is to participate in all business decisions, not just IT ones," he stated. "There is nothing that happens in this company that doesn't affect IT." He and his staff had also "walked the talk" over the past two years, working with the business to identify opportunities for short-term improvements that really mattered a lot to the divisions. These types of quick wins demonstrated that he and his organization really cared about the business and made IT's value much more visible. He also stressed accountability. "Centralized units are always seen to be overhead by the business," he explained to his staff. "That's why we must be accountable for everything we spend and our costs must be transparent. We also need to give the business some choices in what they spend. Although I won't

compromise on legal, safety, or health issues, we need to let them know where they can save money if they want. For example, even though they can't choose not to back up their files, they can choose the amount of time it will take them to recover them."

But the problem of the DIOs had remained. Used to being kings of their own kingdoms, everything they did appeared to be in direct opposition to Vince's vision. And it was apparent that Roman was preaching "one company" but IT itself was not unified. Things had come to a head last year when Vince had started looking at outsourcing. Again the DIOs had resisted, seeing the move as one designed to take yet more power away from them. Vince had offered Helen a position as sourcing director, but she'd turned it down, seeing it as a demotion rather than a lateral move. The more the DIOs stonewalled Vince, the more determined he became to deal with them once and for all. "They're undermining my credibility with the business and with our suppliers," Vince had complained to himself. "There's still so much more to do, and this divisional structure isn't working for us." That's when he'd realized he had to act or RR wouldn't be able to move ahead on its next project: a single customer service center shared by the four divisions instead of the multiple divisional and regional ones they had now.

So Vince had called a meeting, ostensibly to sort out what would be outsourced and what wouldn't. Then he'd dropped the bombshell. "They'll get a good package," he reassured himself. "And they'll be happier somewhere else than always fighting with me." The new IT organizational charts, creating a central IT function, had been drawn up, and the memo appointing his management team had been signed. Vince sighed. That had been a piece of cake compared to what he was going to be facing now. Was he ready for the next round in the "IT wars"? He was going to have to go head to head with the business, and it wouldn't be pretty. Roman had supported him in getting the IT house in order, but would he be there for the next step?

Vince looked gloomily at the reports the DIOs had prepared for their final meeting. They documented a complete data mess—even within the divisions. The next goal was to implement the single customer service center for all divisions, so a customer could call one place and get service for all RR products. This would be a major step forward in enabling the company to implement new products and services. If he could pull it off, all of the company's support systems would, for the first time, talk to each other and share data. "We can't have shared services without common data, and we can't have good business intelligence either," he muttered. Everything he needed to do next relied on this, but the business had seen it differently when he'd last tried to broach the subject with them. "These are our data, and these are our customers," they'd said. "Don't mess with them." And he hadn't... but that was then. Now it was essential to get their information in order. But what would he have to do to convince them and to make it happen?

### Discussion Questions

1. List the advantages of a single customer service center for RR Communications.
2. Devise an implementation strategy that would guarantee the support of the divisional presidents for the shared customer service center.
3. Is it possible to achieve an enterprise vision with a decentralized IT function?
4. What business and IT problems can be caused by lack of common information and an enterprise IM strategy?
5. What governance mechanisms need to be put in place to ensure common customer data and a shared customer service center? What metrics might be useful?