

Welcome,

The following is the third in a series of newsletters designed to foster a healthy dialog. I hope you enjoy it and encourage your feedback and discussion. The full piece is available on the web at:



<http://www.caswell.org/newsletters/20090530page1.asp>

Take a look at <http://www.caswell.org> for prior articles, access to resources and information on what I can do for you. If you know someone who would benefit from this piece, please forward it, or just let me know and I'll send it to them directly.

Please drop me a line and let me know your thoughts.

Regards,

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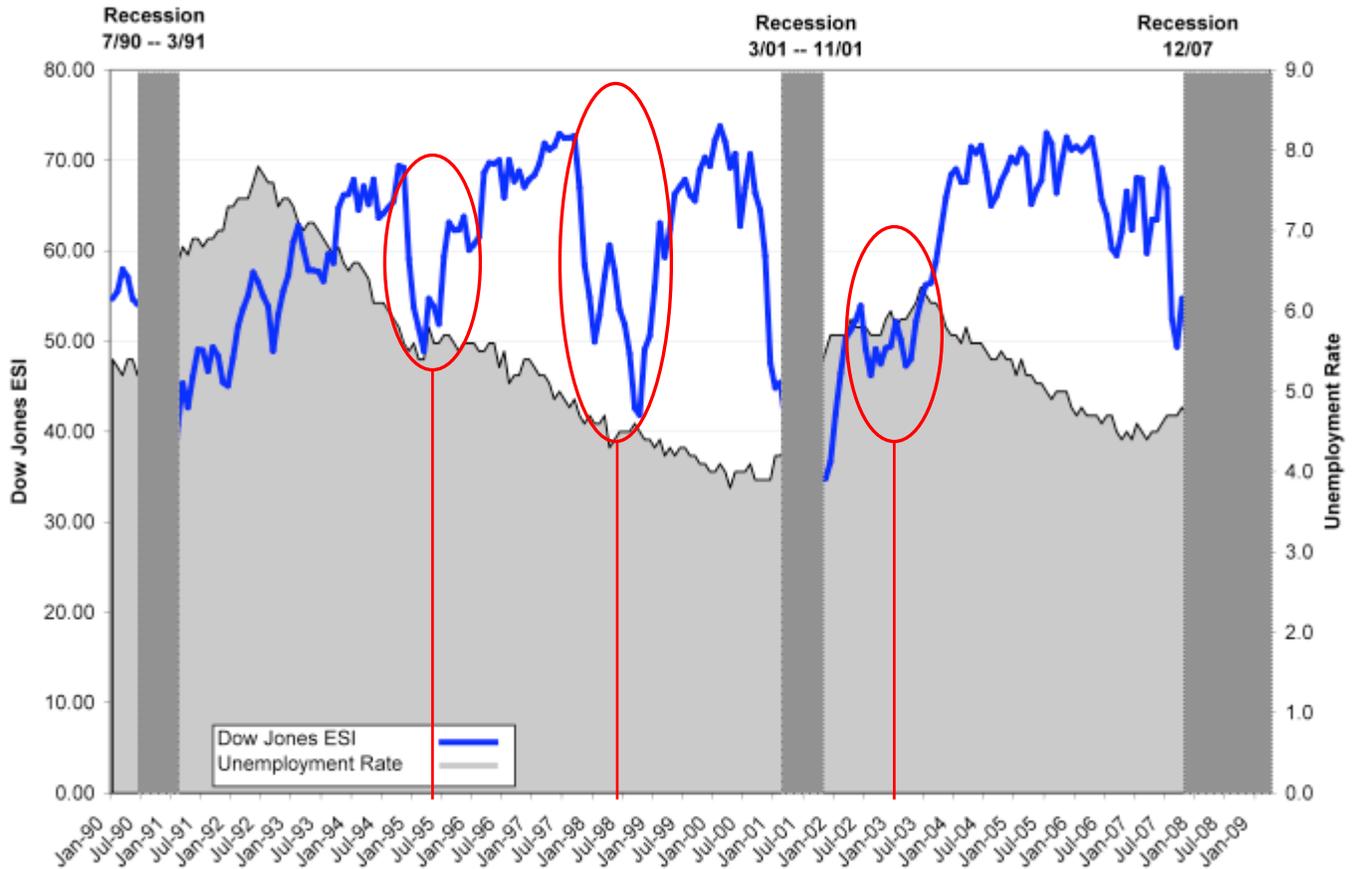
Virtual Organizations, Real Benefits

This piece visits the evolving concepts of [virtual corporations](#), [social networking](#) and [cloud computing](#). It strives to help you and your organization improve efficiency and accelerate response to changing customer needs and economic conditions. Virtual corporations are those with minimal physical presence. Put another way, they don't really exist until there is work to perform. When needed, they bring together the resources to do the job. When the work is finished, they disband those resources until the next project. Social networking refers to a set of internet based programs allowing people with similar interests to form communities for quick, borderless communication. These programs include [Facebook](#), [LinkedIn](#), [Twitter](#), [Ning](#), and others. Cloud computing in this context is defined as leased, off-site computer hardware and software systems. They are usually connected via the internet and have the benefit of outsourced scalability. Combined, these concepts present powerful new tools for your organization to offer better client solutions in less time for less money.

Commercial real estate (CRE) is a cyclical business with downturns occurring every eight years or so. Property values and construction are heavily influenced by these cycles. Software development also suffers due to economic phases. Projects are often scrapped in mid-stream during economic crises. The business risks for Information Technology (IT) departments are similar to those of property developers. While a commercial property's useful life is far longer than that of a software application, the funding constraints of property and IT developments are similar. Banks rarely sponsor new construction until rents reach high levels. Lags in rental rate growth mean that construction does not begin until near the end of the upturn. IT initiatives mirror that trend. Companies reject new development initiatives until business has been robust for some time. As a result, IT development initiatives get funded late in the economic cycle. The new Dow Jones Economic Sentiment Indicator (ESI) helps visualize why.

While people remember the rough dates of recessions, we often forget the pessimistic periods that occur within periods of growth. The red ovals on the chart below show that the sentiment in 1995, 1998, and 2003 was low, even as the economy was set to expand and add jobs. The [Dow Jones ESI](#) is a new measure of public sentiment measured by analyzing the mood of news stories. A barrage of bad news

Recent Business Cycles



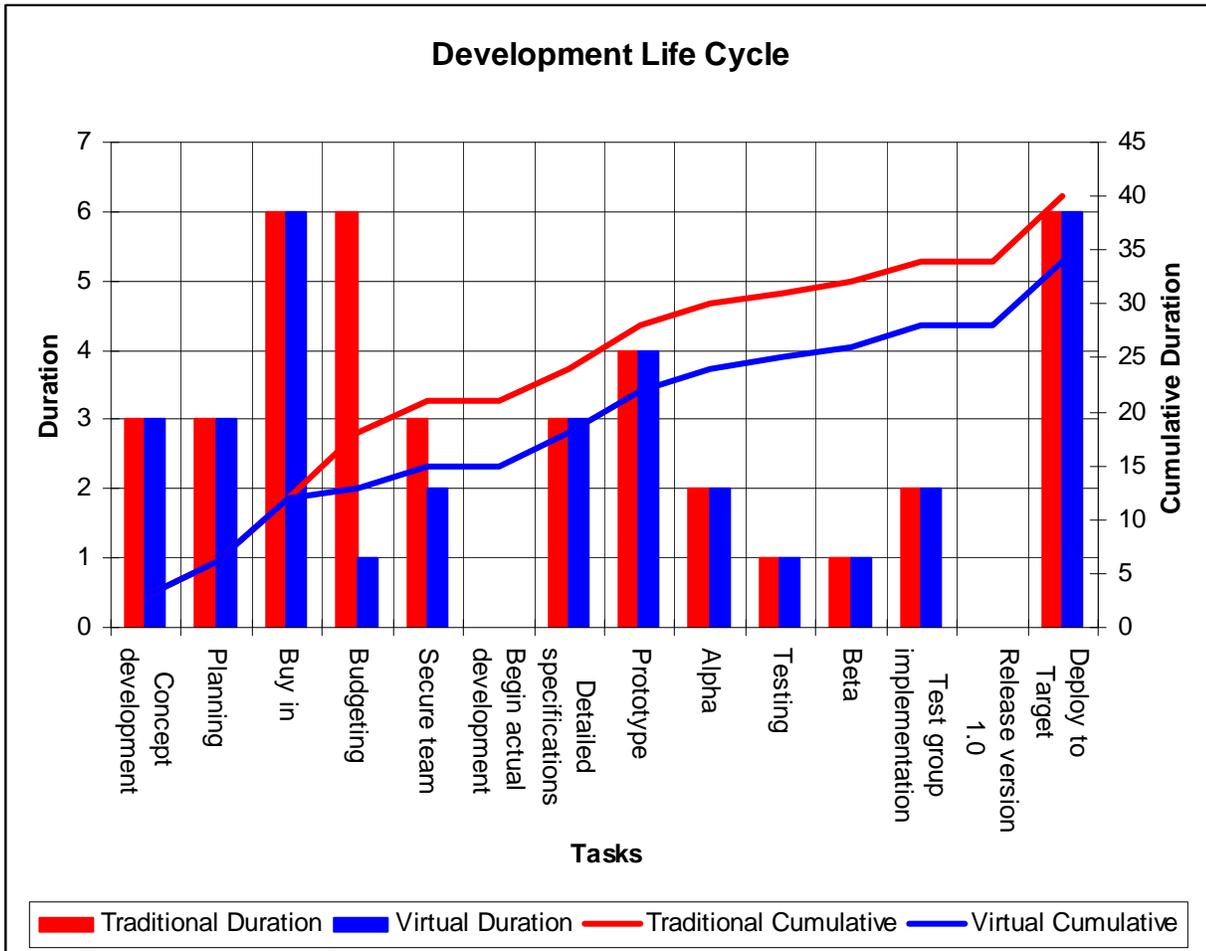
Source: www.solutions.dowjones.com/ESI - reuse by permission only

evokes fears of imminent downturns resulting in continued budget conservatism. Not every session of pessimism results in a full fledged recession and so the conservatism may be viewed as an unnecessary restraint on growth. However, a company that accelerates spending in the face of a real and protracted downturn runs the risk of failure. In most cases, firms will wisely elect to continue conservative patterns to ensure survival at the expense of larger potential growth. Superior predictive insight into economic expansion and contraction is one way to get ahead. Another is to be more nimble, rapidly accelerating and decelerating in pace with conditions.

The infrastructure of a virtual corporation can react more quickly, thus cutting the development cycles of systems that can garner revenues.

In hind-sight, the latest economic expansion took hold in 2003. At the time however, pessimism reigned. It wasn't until 2005 that a manager was likely to secure funding for new initiatives. By August 2007, the debt markets stalled and many projects were abandoned in mid-stream. Even projects begun in 2005 were released with version 1.0 feature sets and did not reach maturity. Given the dramatic decline in revenues, most of these in-house systems lost support for continued development. This left users and clients with immature systems, strained support staff, and overall mediocre results. This scenario plays out in most industries and contributes to the lack of overall progress towards the goals of reliable and user-accessible platforms.

Faster development cycles provide two clear benefits. First, shorter development cycles translate into lower costs. Second, earlier completion of revenue enhancing systems means longer periods of revenue capture. Compare the life cycles of a project in a traditional versus virtual corporation below. In this example, a typical software development cycle lasts 40 months in a traditional firm compared to 34 months in a virtual organization. That's a 10% savings in time. Also consider that in a traditional firm, the entire staff infrastructure is on the payroll through most of the cycle while in the virtual style, staff is only paid for work contracted and completed.



Source: W.S.C. Inc.

In a traditional organization, there are several layers of management able to delay or kill a project funding decision. This extends the budgeting duration by several months. In addition, out of cycle budget awards are rare, meaning that a project conceived after budgets are finalized, likely needs to wait through the entire fiscal year before funding is released. Virtual organizations typically have shallower hierarchies and tend to be focused on speed and adaptation. Funding still must be secured, and the need to guard capital is just as real, but the lack of fixed departments means there are fewer layers in place to review and reject new initiatives. Even in the case of rejection, it comes sooner, allowing new or revised concepts to come forward more quickly. So what are the downsides of organizations without a fixed infrastructure? Are they more likely to move forward with ill-conceived projects? Certainly, but the important aspect to consider is the methods by which your organization makes decisions on projects. If the process is tied intimately to the core mission of the organization, outcomes are far more likely to support growth. Streamlining the decision path can reduce the overall development cycle.

The need to completely rewrite software due to required upgrades mean that most software is optimally usable for only three to five years. To take advantage of capabilities in new development platforms requires a repeat of the processes of working with users to determine requirements and creating detailed specifications. In other words, you can either try to recreate old systems on new platforms, or start over every time. As Joseph W. Alsop, Co-Founder of Progress Software put it “the harder we run, the farther we fall behind.”

Given the need to compete on platform to win business, serious attention to development is necessary to any organization’s success and should be an integral part of their strategy.

A few weeks ago I attended the MIT CIO Symposium. Two topics dominating the agenda were cloud computing and social networking. Cloud computing was recognized by experienced CIOs as marketing terminology applied to the old mainframe practice of leasing computing time. Other participants saw it as a way to free their organizations from the difficulties of managing expensive and ever evolving hardware and network infrastructure. All agreed that cloud computing is here to stay and that CIOs need to pay special attention to vendor contracts in any outsourcing situation. In the end, the details of the contract control the risks and rewards of cloud computing.



Social networking was also frequently brought up as a powerful set of tools for enhancing connections across geographic and other boundaries. Generational differences in the audience segmented some of the challenges and opportunities with both concepts. More experienced CIOs hold a solid grasp of exactly what is contracted in cloud computing and the simplicity of what runs social networks. They tended to wonder what all the excitement was about. Younger attendees expressed limitless optimism for the potential of infrastructure-on-demand and frictionless communications. Combined, these evolutionary concepts do significantly ease the formation of virtual organizations.

As cloud computing and social networking become pervasive, the benefits apply to both fixed infrastructure and virtual organizations.

Opportunities have never been better for firms to outsource much of their hardware. Software development projects are usually paired with capital expenses in the form of computer hardware. The costs of new or expanded servers, networks, and workstations must be factored into any development decision. Cloud computing makes it easier and less expensive to acquire the hardware for new platforms. Also, as existing hardware nears the end of its lifecycle, the decision can be made to outsource its functionality without sacrificing reliability. Choices on scale, reliability and cost are easier too. By carefully choosing service level agreements, costs can be reduced at the expense of guaranteed up-time that may be less critical in periods of low activity and then ramped up when usage returns. While it is painful to agree to lower levels of performance, having the flexibility to pay for different levels is a great option compared to the alternative of shutting down an initiative completely. Cloud computing allows the manager to change the scale and quality of their IT infrastructure more smoothly.

Social networking is helpful tool in the evaluation of potential projects. By eliminating the boundaries between management, staff, clients, and prospects, the communications resulting in the design and prioritization of features and solutions can be dramatically accelerated and broadened. James

Why Standards Matter

Two-sided markets, such as Amazon.com, depend upon open standards to allow components to interact in ways where different firms add value in a transaction which may be controlled by another. This sharing of process is certainly better for the customer as they may benefit from the core competencies of different vendors. It does however present a bit of a [prisoner's dilemma](#) for the vendors. In a shared or open market, all vendors compete relatively equally based upon the value of their contribution. If the barrier to entry for their particular area of expertise is low, you can expect the margins to be equally depressed. Conversely, a firm that creates its own standard, and disallows others from working with its clients, commands higher margins. The results are usually weaker for the customer with a dominant vendor scenario unless the dominant vendor pushes the quality of their offerings farther than needed. The need to push quality is driven by the likelihood of a true competitor. In areas with high barriers to entry and a long sales and development cycle, upstart competitors are few. Organizations such as [OSCRE](#), who create standards in a non-profit, industry run consortium, help develop two-sided markets. By creating standards, they lower the barrier to entry for startups thereby increasing the competition. Increased competition, in theory at least, leads to more efficient pricing and rapid innovation.

Surowiecki's [The Wisdom of Crowds](#) explores the structures needed to avoid group-think and promote the best values and benefits of shared intelligence and democratic decision making. By encouraging an open and honest dialog about features and policies, management can hear the ideas and concerns of its most important constituents. By quickly reviewing the content of blogs, chats, and tweets, that feedback can be quantified and re-queried for greater depth and understanding. By allowing employees to critique, the confident and humble manager can better listen. Then the manager can work to gain clarity on what they are hearing. It's a great opportunity to hear employees' ideas about missed opportunities in areas that would benefit clients and therefore the firm. Careful listening exposes solutions that can be applied to business processes, policies, and systems.

Listening carefully is a delicate task. Communication styles need to be crafted for differing generational sensitivities. Authenticity in communications is critical in managing the perceptions of all generations. Some leading firms have begun to pay attention to these informal channels and have allowed corporate communications staff to regularly use Twitter, LinkedIn and even Facebook on company time. They are working to develop strategies for employing social networking in managing their brand. Many firms block access to these tools as well as instant messaging, hampering the effectiveness of their employees, creating a restrictive culture. The restrictions can push

employees to potentially more disruptive behaviors as they strive to communicate. A balance is needed to allow the culture of openness while minimizing down time. Long trusted techniques of managing for output are best, as staff that abuse these tools and fail to get their work done need to be punished for lack of production. Employees who are focused on achieving specific goals will find ways to use social networking tools to accelerate their success.

Social networking, combined with outsourcing allows your organization to tie together in-house and vendor staff. This link is critical for the success of outsourced software developments. A downside of outsourcing can be an "out of site, out of mind" mentality. While an outsourcing vendor is better able to focus on their area of specialization, it is critical for the success of any assignment that your management and end users stay tightly integrated with the project. Long term relationships between vendors and your organization can help ensure a continuity and expansion of understanding of your goals and culture. Business side participants must drive any project if it is to provide real value. An experienced vendor with a track record of success will insist upon strong management involvement and usually includes checkpoints along the way to allow for a reassessment and modifications in the design. A focused group of test users must be incentivized to actively participate in design and review prototypes

CRM Success

Over the last decade most firms have made some attempt at implementing Customer Relationship Management (CRM) software. Most experience lackluster results due to a lack of buy-in, process development, and unrealistic expectations. A few however have succeeded beyond expectations by taking advantage of [Hubbard One's](#) innovative ContactNet approach. ContactNet works behind the scenes with your Exchange Server to review your employees' calendars, email, and contacts. When the sales manager wants to know who is working with IBM, they can instantly get a solid answer about the nature and level of relationships already existing within the firm. The major benefits to the organization are the ability to answer the questions, without requiring anyone to change their habits or learn new interfaces. Pushback comes from those who feel the system is a violation of their privacy. To succeed, participants need to have an honest conversation about ownership of data on company systems, and a willingness to engage in CRM "on purpose." By agreeing to initially restrictive levels of visibility about the details of relationships, managers can work with their staff to realize the benefits of shared contacts, building trust around the use and power of that information. The lack of double entry in other CRM systems allows the end users to continue as they were, rather than being expected to update and track activities in a dedicated CRM software platform. By extending the same concepts to LinkedIn, Twitter, Facebook and other social networking sites, expanding a company's reach, and capitalizing on those networks is easier than ever before.

to ensure that solutions that meet the specification, and the needs of clients.

Another cause for concern is in relating off-site talent to employees. If you use off-site, on-call workers in your organization, how do other employees know who to contact to perform certain tasks? If, for example, a system was developed by an outsourced vendor, and a user has a problem, question, or idea, how do they know who to call? If they do manage to find the contracted external programmer, how does that programmer know how much time they can spend with that employee? If they do spend time, who pays? Well defined roles for all involved are required. This means that your organization's Human Resources (HR) department needs to expand their boundaries beyond salaried on-site workers and include all personnel in their sphere of control. If the off-site on-call worker is interacting with other employees or clients, HR has an obligation to include them in some level of ethics training and standards accountability. Ensure that your vendor contracts require them to abide by your relevant company standards and policies. Increase the efficiency of interactions by communicating well defined roles for each in-house and outsourced individual. Include in those definitions the relationships between roles. Track activities of your staff, and vendor staff to look for patterns. If, for example, outsourced programmers are spending time on end-user support, then it may make sense to expand your training regimen.

For clients, working with an organization that uses off-site, on-call workers can be a bit unnerving. Receiving communications via gmail from someone you thought was an employee of the vendor can seem unprofessional and raises question of liability and accountability. While contracts between the vendor and the virtual employee can create clarity in the relationship, those contracts are rarely visible to the client. Make it clear with your vendor how you expect them to present themselves. Are they representing your firm, the vendor, or themselves as individuals?

So how can your firm engage the benefits of virtual organizations? Start with a business sponsored plan before spending money on technology. CIO's may pitch solutions across secure and expensive platforms in the name of security. The reality is that there is no security against a skilled hacker or a careless employee. Good process and checklists work well in reminding you to remove people from access to free externally hosted sites such as Google Docs or Ning. Working with these free sites is far easier and less expensive than a SharePoint implementation across multiple Windows domains and, when properly managed, can be just as effective.

Another great tool to consider is RSS (Really Simple Syndication.) RSS feeds can be used to easily integrate content into sanctioned portals. You can combine internal and external content into your branded web site. This helps blur the perceived lines between employees working at fixed locations and remote consultants. This dual approach results in the ability to bring the best talent to bear when needed and keep desk and payroll costs down when things are slower. In doing so, you have started your very own virtual organization. Add in a Ning site for facilitating blogs and you can allow people to collaborate on ideas without the need for travel. Store shared documents in Google Docs, and you don't need to rely on IT to setup network servers. Pop a few questions and ideas on LinkedIn groups, and you'll be amazed how quickly people will respond. Tweet now and again, and find people all over the world who may be interested in your topic. Establish a following, and you can turn those people into leads and clients or perhaps even off-site, on-call staff.

The combination of social networking, virtual structures, and cloud computing should allow a more rapid creation of working systems in the next business cycle. The winners will be those that capture the benefits and critical mass early. Virtual organizations have low startup costs and the ability to capture revenue more efficiently. Fixed infrastructure organizations that master the best of both worlds can outperform through the cycles by maintaining the fixed structure needed to provide well branded, stable services for their clients while expanding and contracting rapidly in synch with demand.

Outsourcing is here to stay. Cloud computing, social networking, and virtual organizations are useful components of an outsourcing strategy. By applying these new technologies and staffing structures to old problems, the creative manager can do more with less, and be more nimble. That allows you to innovate and capture more revenue in an upturn and reduce costs in leaner times. That's a smart strategy in any economic environment.

What Really Happened Here?

This newsletter is more than it appears. It is a mix of the following skills:

Research - Writing in an accurate, informative and compelling manner.

Marketing – Getting the message in front of the right people – You! Finding topics of interest, and gauging that interest to increase response.

I.T. – The distribution email was generated from a program I wrote that embeds unique links into each email while still sending it through Microsoft Outlook so I can find it in my Sent Items. The embedded links help me track when you viewed the email. When you continued to the web to view the article, it tracked that too, linking it to the originating email. These databases, programs, emails, and web pages are all integrated around campaigns. I wrote each component using simple tools to avoid constraints and costs of third party tools as well as wasted time dealing with version upgrades.

Project Management – Getting it all done in a reasonable amount of time meant making choices around content, quality, timeliness, tool sets, speed, and more. Incorporating the efforts of proofreaders, editors, permissions from sources, and other demands on time requires strong project management experience.

Strategy – You are looking at it. I am an experienced professional with success in multiple disciplines. The best way to explain what I can do is to show you. In searching for work, I apply strategies to networking and self promotion. The point is not the content, but the approach. Wouldn't you want someone who puts this much thought and care into everything they do, working for you?

So how can I help you? I am available to work full time or as a consultant. Let me help you take your business to the next level. Please call today to discuss your ideas.

Regards,



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