

Précis

Thoughts on IT in Business



Raising Returns

Raising Returns

How do you know if your IT organisation is truly relevant? Can you be sure the technology you manage on behalf of business helps those business functions and teams do things quicker, better, and more competitively? And how do you know that in running IT, you're delivering the best returns on the assets and people in your domain?

Though the answers to these questions are significant enough to form a mantra for today's IT organisation, none are easy or straightforward. And though one could argue it's always necessary to focus on the value of IT, the pressures in our current macro-economic climate seem to make finding the answers more pertinent than ever.

So, with value and competitiveness foremost, this issue of *Précis* sets out to explore ideas and actions you can apply in Raising Returns for your IT organisation. We explore increasing the relevance of IT to business, applying technology in ways that result in operational gains, and ensuring that IT's assets and teams are functioning to best effect.

How are you raising the profile of your IT function and upping its returns? If you have stories to share or comments on any of the articles, do let us know.

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- Dramatic increase in adoption of self-service by customers and contact centres
- Globally, Service Level Agreements are generally adequate and well-aligned

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Being truly relevant as an IT function has a lot to do with identifying and aligning to the key strengths and competencies of your organisation. In this article we put the spotlight on the issue of core competence in the context of the IT compliance challenge faced by many organisations.

Scenario 1:

Compétent Assurances, a fast-growing and innovative pan-European insurance company, found itself under pressure to ensure its network infrastructure was in line with the requirements of the Sarbanes-Oxley Act of 2002. While Compétent Assurances already had a very detailed and documented set of configuration standards, these had not been applied consistently.

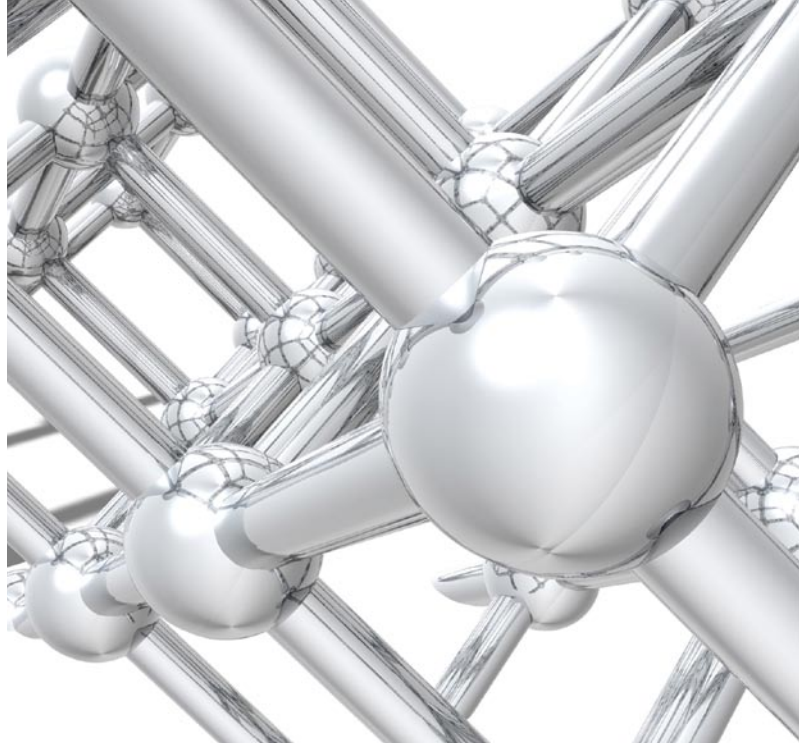
A number of strategies were available to the IT organisation. Tackling the review of its infrastructure manually, using in-house resources was one option. Purchasing and installing a sophisticated software system that would automatically scan all devices, report on and fix configurations and security gaps was another, as was using an external third party to review its compliance posture. With its compliance deadlines looming, the company needed to act quickly and decisively...

Although the issues faced by Compétent Assurances may seem isolated and unique, they are representative of the broader questions and challenges that many of today's CIOs face, namely answering questions about their function's relevance and value. The overarching challenge is one of determining how best the IT organisation can support, enable and drive the overall goal of the business.

In considering this challenge, it's important to look both at how IT has matured over time and also the increasing reliance that today's business models have on information and communication technologies. We set out to explore how to answer the question of relevance and value using a relatively well-known concept from the arena of management consulting: that of organisational core competency.

The concept of core competencies was introduced by CK Prahalad and Gary Hamel in a 1990 *Harvard Business Review* article. They define a "core competency" as something that an organisation does well, and that sets it apart from its competitors.

A core competency can take various forms – including specific technical expertise or experience, and robust processes. It could even include less tangible issues



How does this concept of core competency apply to you?

such as close relationships with customers and suppliers, company culture or employee dedication. For example, in the automotive industry, Volvo's core competency could be characterised as safety, in technology manufacturing that Intel's is the design of complex chips, and in consumer electronics that Sony's is expertise in electronic technology and the ability to translate this expertise.

If you're an IT organisation, how does this concept of core competency apply to you? First, let's consider the fundamental building blocks of the typical IT organisation. Essentially, the realm of influence extends to three key areas:

- *You are the custodian of the company's physical IT assets, that is, servers, hardware, software, networking equipment, storage devices and so on.*
- *You also own the company's IT management processes and systems, and are responsible for applying and managing them to best effect to ensure they help the organisation realise cost benefits, reduce risk and achieve strategic agility.*
- *Last but not least, you are responsible for a team of people and ensuring that their technology skills are appropriate to support the organisation's business goals.*

With these three areas within your domain, how do you determine what the best allocation of resources is? How do you make sure that the time and funds you have available to

operate IT are allocated in a way that makes IT a valuable contributor to revenue growth, efficiency, and business agility? That's where the concept of core competency can be most helpful. Just as the broader organisation you're part of has its own core competence, which forms the basis of its competitiveness in the market, your IT function too has a unique capability that makes it the best choice for supplying and supporting technology to the business.

To get clarity on what your core competence is, or might be, ask yourself: "What is the basis of our company's competitive advantage? How do we differentiate ourselves from the competition? And therefore how can we best, as an IT organisation, make sure we help the broader organisation to achieve that? In being the custodian of the IT assets, people and systems – what is it the best value that we can add and where is most effective and effective for us to focus?"

To achieve a high degree of overlap between what your organisation is trying to achieve and what IT contributes, it's possible that you'll need to broaden your competency in specific skills sets. For example, if you're a financial trading organisation operating on the world's stock exchanges,

Once you've determined what your core competency is, there are a number of ways you can make sure you develop it...

- First, isolate the key abilities that are part of the core competency and develop them into organisation-wide strengths
- Make sure you compare yourself with other companies with the same skills, to ensure that you are, in fact, developing unique capabilities
- Develop an understanding of what capabilities customers value, and invest in line with this
- Create a road map with goals for building your competence
- Involve a wide group of stakeholders in developing your core capability
- Outsource or divest from capabilities that are non-core so you can free up resources to focus on extending your core capabilities

What about the activities that fall outside the net?

having a unique online trading algorithm and system would certainly be considered a core competency. It's simply not an area where you would buy an off-the-shelf solution or something you would consider handing to a third party to execute on your behalf. On the contrary, you would make a point of attracting, recruiting and retaining the very top talent available in the marketplace to run this core function.

What about the activities that fall outside the net? Are there things that maybe you shouldn't be doing at all? In most cases, it simply doesn't make sense for IT to be focusing time and resources on areas that are unrelated to the organisation's core competency. For instance, if you are a mining and resources organisation, does it make sense for your best IT resources to be installing and managing an IP Telephony system? Probably not – they could be put to better effect managing mine safety systems. In a retail environment, does it make sense to have a team of coders dedicated to writing proprietary software technologies for customer credit processing? Ask yourself if the activities you're investing in are really the best utilisation of skills and money. Could you achieve comparable results by opting into a suite of standards based technologies?

Becoming truly relevant as an IT organisation could quite possibly require that you revisit your service delivery model, for example, by adopting a selective sourcing or 'Multisourcing' approach and offloading routine, mature or non-strategic functions (such as network maintenance or management of your data centre, for example) to external service providers. This would help in freeing up your internal resources to focus squarely on activities that are core competency-related. It's not that these activities are not important, or that the organisation doesn't need them, it's just that they are perhaps not core.

Keep in mind that embarking on an exercise to enhance the level of relevance of your IT organisation might involve breaking down organisational boundaries and shifting or sharing resources, so it's important to bear in mind the people factor. Discussions around these topics can become emotional, given that change is involved and individuals may be required to adjust or remove their focus, surrender territory or cede management of specific areas of technology that they may have been the custodians of for a

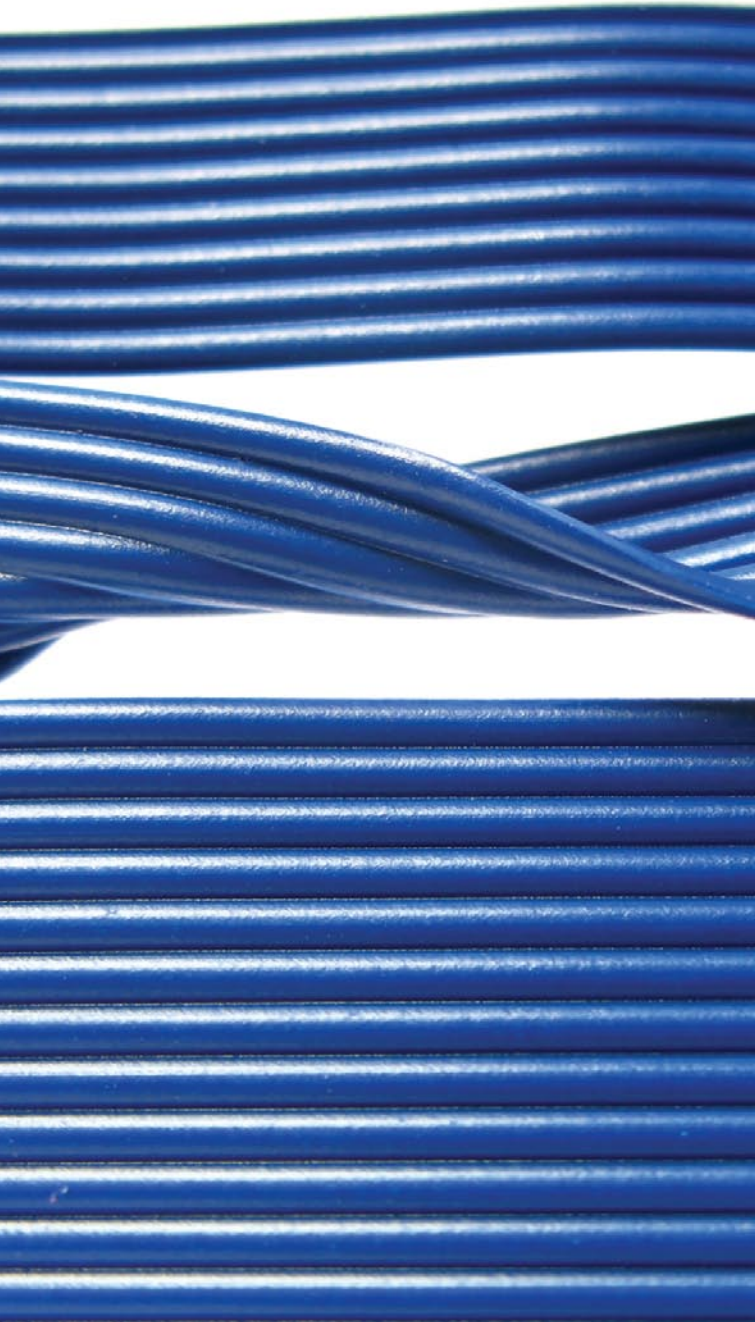
long time. However, once all stakeholders understand the value of focusing on the areas that truly make a difference to organisational competitiveness, re-aligning efforts should become an exciting challenge.

The solution

So, how could this core competency concept be applied to successfully tackle the business challenges faced by Compétent Assurances? Is the management of configuration and security vulnerabilities on the network an activity that lines up with and supports the insurance company's competitive differentiator in its marketplace? In figuring out the best course of action here, Compétent Assurances first needed to be clear on what its core competence was – which could have been anything from understanding its organisation's technology profile best through to managing policy assessment technologies.

As its broader organisation is agile and innovative in the market, the IT department soon figured out that their key value and relevance came from a focus on developing customer-facing and field-sales tools and systems. Once this was known it was relatively quick and easy to decide how to solve the network audit challenge. Compétent chose to work with a third party. This saved the company time, gave them access to a dedicated team who used the latest network discovery tools, met their audit deadlines, and – better yet – kept IT employees focused on strategic projects.

The Straw that Broke the Network's Back



Twenty years ago, to start and run a business, you could invest in a desk, a phone line, a filing cabinet and some basic stationery, and business could feasibly commence. Networking meant handing out business cards and the idea of having a face-to-face conversation via a computer lay in the realm of sci-fi. Twenty years on, the stuff of fiction is now a reality. The Internet allows us to access information at any time and from most places on earth. You can conduct every office function imaginable from a device the size of a pack of cards; you can have that face-to-face meeting with someone 10,000 miles from you. The world is suddenly a very small place.

The network, the infrastructure on which these, and other, miraculous feats of communication rely, is so much a part of our day-to-day environment that it's almost impossible to remember life without it. The network is now a business-critical infrastructure and nearly every type of industry relies heavily on its reliability, whether to make money, enable processes, transmit information or optimise costs. However, today's network, this myriad of arteries and veins that pump and direct the life force of enterprise, is increasingly unable to support the demands made on it. It's a case of when, not if, it will collapse.

The rise and rise of technology

To best understand the current crisis, it's worth reviewing how networks have evolved over the past decades.

By the end of 2007 an explosion of development had been witnessed.

Internetworking had its roots laid in the early nineties but there was still considerable debate between multi-protocol environments as to which protocol would dominate. The surge of demand to inter-connect LANs and WANs – to be able to share resources – drove the demand, and around 1998 IP, the Internet Protocol, won the race. IP networks became mainstream and their adoption was exponential. They replaced and consolidated many other data networks, and went from being a business differentiator to a business staple. The majority of traffic was corporate-based and consisted mainly of access to backend systems and corporate email.

Whilst the Y2K challenge attracted massive IT investment, the majority of expenditure was on backend systems and mainframes. The network – deemed to be fairly young and only recently deployed – attracted little attention, and even less investment. When the bottom fell out of the dotcom market in 2001, the IT industry was brought to its knees, and there was a desperate attempt to consolidate the unstructured IT investments that had been made and to clean up the mess of now extinct dotcom companies. The shock waves permeated beyond the IT industry into other sectors, for reasons ranging from total over-capacity to misjudged technology investments, and suddenly the brakes were on IT spending. The next three years were spent stabilising environments and driving operational efficiencies and the network was left without investment. That said, as traffic composition remained predominantly corporate and relatively unchanged, networks seemed to be performing well and as they were designed to.

Over the following years the internet grew exponentially – beyond everybody's wildest dreams – but it was in 2005 that another network-life changing event occurred. IP telephony started to gain acceptance in the market and quickly became heralded as 'the next big thing'. It had considerable business benefits; it allowed the consolidation of data and voice networks, dramatically cheaper voice minutes and operational expense savings – accolades which didn't exactly impede its rapid adoption.

By the end of 2007 an explosion of development had been witnessed. IP telephony was now mainstream, and galloping behind it came unified communications and collaboration, web-based computing, Web 2.0, mobility, data centre

consolidation, Green IT and virtualisation, among others. The network now found itself thoroughly overworked and largely overlooked. The majority of funding was pumped into these exciting new technologies, and whilst there was some investment in growing the network coverage, this was very much unstructured and predominantly confined to extending a ten year old architecture.

The move to wireless

Technology is a self-perpetuating beast and whilst the network may currently be plodding on stoically, there are new technologies coming down the line that might be ground-breaking and network-breaking. Wireless is one such technology; the 'rivers of connectivity' associated with the wired Ethernet do not afford the level of pervasive connectivity and availability that the modern end-user now demands. There has been an evolving progression through the wireless standards from 802.11a through to the latest 802.11n standard. The latter has a Wi-Fi specification that can now seriously challenge wired connectivity. The earlier standards were designed primarily with data in mind and weren't structured for 'real time' connectivity. The 802.11a, for example, worked at 54 Mb/second, whilst the recent 802.11n connects at 300 Mb/second and has sufficient bandwidth and latency to effectively carry data, voice and video. The way is now paved for a new era in connectivity, so much so that Gartner estimates that by 2011, 70% of new client to network connections will be wireless and by 2013, wireless will be the preferred form of connectivity. But to support

applications in the future, there is a pressing need for people to re-architect their wireless network. In order, for example, to maintain sufficient coverage, one needs access points, and because wireless uses radio frequencies not wires, the network needs re-architecting to accommodate this. Such re-architecture can be seen as an investment in the future; the truly pervasive connectivity that wireless now offers can be described as the next quantum in productivity potential. In the same way as the world-wide adoption of the cellular phone revolutionised human interaction, wireless promises to revolutionise business and human interaction. The Yankee stadium in New York, which recently incorporated wireless into its network, is a good example of the exciting possibilities that such connectivity affords. As you enter the stadium your cellular phone connects to the wireless network; you can check stats on your phone, get directions to your seat, talk to friends in other seats, play back sections of the game and even locate the nearest exit, toilet or food stand. In fact, this level of connectivity opens up a whole new world of business opportunities and a brand new advertising medium – the ability to target and access consumers, regardless of where or when, is the stuff of marketing dreams.

Voice over Wireless

Internet Protocol (IP) telephony, or voice over IP (VoIP) is gaining popularity as a means to implement business communication anywhere, anytime. These technologies allow telephone calls to be made over the Internet as opposed to the ordinary public switched telephone system

(PSTN). One of the primary motivations for implementing such a system is dramatically lower calling costs. The marriage of wireless LAN and IP telephony is voice over wireless LAN (VoWLAN) and, thanks to the improvements in wireless standards, the expectations of an increasingly mobile and IT savvy workforce, and the push for converged communications, this has become one of the major new applications for the wireless network. Users are able to enjoy real time voice communication whilst in the wireless space without incurring cellular costs or falling prey to the coverage unreliability associated with traditional cellular phones. Whilst the monetary savings are a significant driver for this technology, the productivity boon of such anywhere connectivity could prove invaluable. Being able to locate and communicate with an employee regardless of their location within the wireless space has obvious benefits to nearly every type of organisation. A hospital scenario, however, is an obvious example of where instant accessibility could have life changing repercussions. In this context VoWLAN would negate the need for lag prone paging devices and would provide a viable alternative to cell phones, which can interfere with medical equipment.

HD video

One of the most exciting new technologies on the market today has to be HD video and, in particular, telepresence. This is a next generation video conferencing solution that uses high speed networking and high definition video technology. Being able to conduct a fully interactive, real time conversation with a life size, natural looking, HD quality image is more than reminiscent of the ‘Beam me up, Scotty’ teleporting technology so revered in *Star Trek*. Trekkies aside, this technology has exciting and far reaching implications for a number of enterprises and a number of reasons. Companies looking to cut down their travel spend, especially in this uncertain era of spiralling fuel costs, now have a viable alternative to face-to-face conferencing. Similarly, Green IT initiatives would benefit massively from a fading carbon footprint. The increased productivity and mental alertness of an employee, who is neither travel weary nor jet lagged, is another persuasive advantage, not to mention the increased job satisfaction of said employee’s ability to balance their work and life more harmoniously, to spend more time at home and less in a hotel room. HD video, and IP TV in general, may well have the same sort of impact on business and communication that broadcast

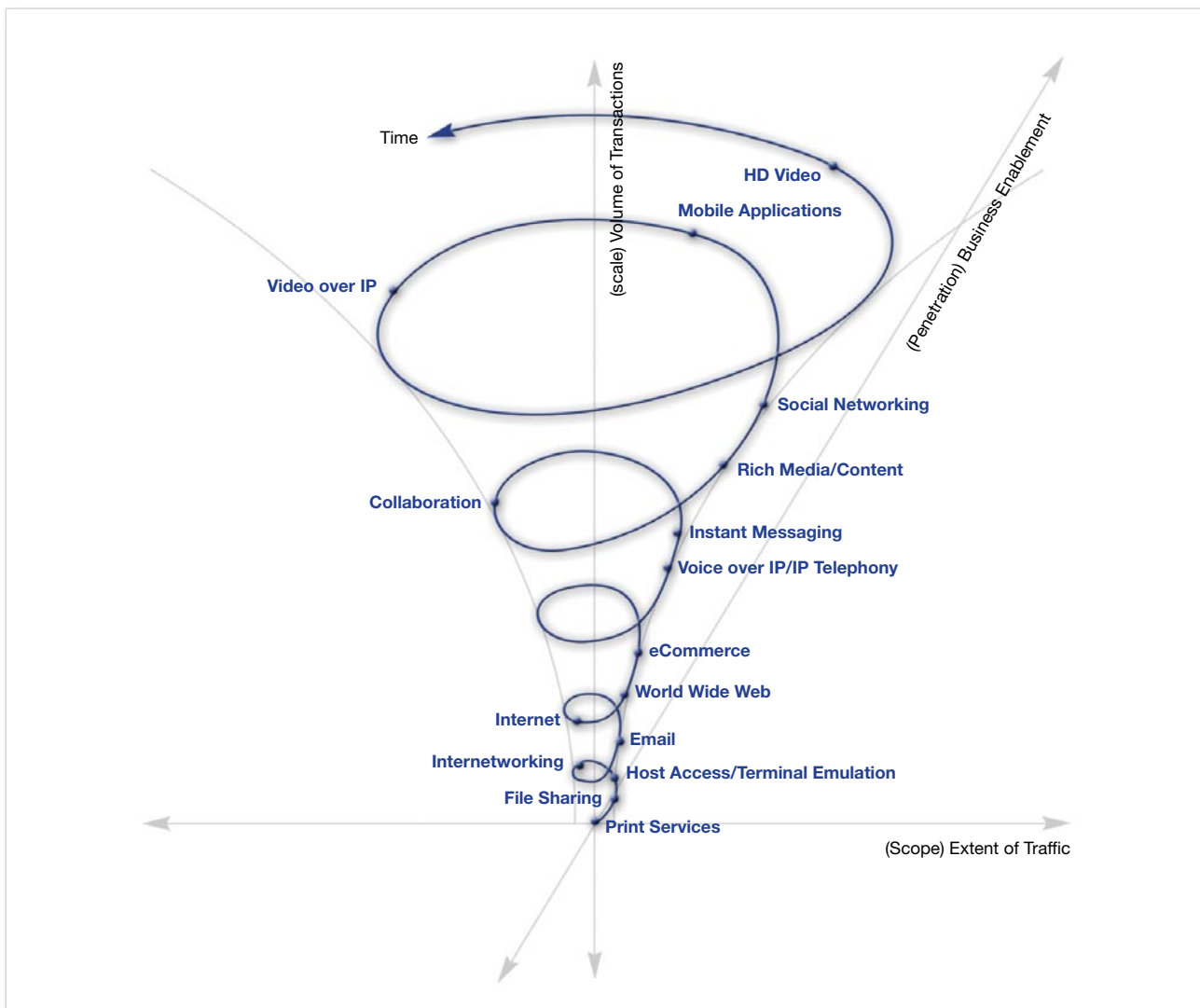
television had on radio, and will cause a significant shift in traditional business models. However, such technology is currently incredibly bandwidth-intensive and incurs fairly high operating costs. Real time traffic needs specific network treatment and service guarantees to operate satisfactorily. That said, the way has been paved, and there's no doubt that video over IP is going to go mainstream, sooner rather than later.

What's your network trajectory?

In light of the pressures your network already faces and the demands that new technologies will bring, it makes sense to understand the exact path your network is on. This becomes even more critical when you consider that many of today's business models would come to a grinding halt

if the network failed. The network trajectory diagram shows how the demands made on the network grow over time. The network has spiralled from supporting initial functions such as file and print services to more business-penetrative and network-dependant applications. The majority of today's networks have extended their reach in terms of volumes of traffic, functional scope and wide penetration of business areas. While this expansion is a sign of networking success, initial designs and architecture certainly did not take this wide-ranging use into account and many organisations today are lumbered with a network that simply can't cope.

One of the implications of this risky situation is a slowdown or halting of operations. Work styles and business processes have been completely transformed by the availability



of pervasive connectivity. We run businesses in a world where anytime, anywhere connection to information and transactional systems is often taken for granted or even a prerequisite for the smooth functioning of operations. Looking forward, this dependency is only likely to increase as new technologies become ever better at delivering location independence and real-time, almost-as-good-as physically present user interaction. Given this reliability on the networking fabric, understanding the network trajectory becomes critical.

Where to start?

In order to figure out how close your network is to breaking point, it's important to first assess whether the current state of your network adequately supports your business needs

This dependency is only likely to increase as new technologies become ever better at delivering location independence and real-time, almost-as-good-as physically present user interaction.

right now. It's often a very difficult question to answer. In many cases there's been no prior need to maintain detailed information on a network's 'current state', because the major new traffic changes have only occurred in the last few years. The following actions, however, will enable you to accurately assess your current network state, and give you the insight and foresight, to build a comprehensive network road map for the future.

- Conduct a baseline network assessment to give you a 'state the nation' view of your network.
- Assess your current network performance. This will tell you how close to breaking point your current network infrastructure is.
- Review your mobility requirements going forward and assess whether your current wireless network will meet them. Do you know if your wireless is set up to scale to handle the additional demands of mobile users and new communication services?
- Map your current architecture and articulate a vision for a network that supports the delivery of converged communications and a communication-enabled business model.

By implementing a measured and structured approach to both optimising your network's current performance and preparing your network for the future, you will be setting yourself up for the next inevitable era of communication. Don't wait to see which straw will break the network's back because, for your business, that could prove to be the short straw.



Raise Your Game

Using Wireless Location Services to Deliver Process Improvement and Innovation

Can you imagine a world of absolute omnipotence, where you have 24x7 visibility of everything in your business domain, complete control over your capital assets, and a constant, real-time knowledge of the presence and mobility of all your devices and personnel? It's not magic, voodoo or even temporary insanity . . . but technology – coming to life as a practical business application.

Something exciting is about to happen in the mainstream technology world that's poised to bring far-reaching operational improvements to a broad range of industries and, specifically, the manufacturing, healthcare and retail industries. Analysts agree that this is a major new technology opportunity waiting to happen. According to industry analysts IDTechEx, this market "will explode over the next ten years" and Frost & Sullivan predict "a 30% CAGR, from US\$ 180 million in 2006 to US\$ 1.26 billion in 2011."

So what exactly is this new technology wave, how does it work, and more to the point, is it something you should be investigating now to fully exploit the operational benefits and secure a competitive edge before the rest of the market gets wise and the advantage is lost?

The technology is wireless LAN-based real-time location services (RTLS), which we'll refer to as Location Services.

Put in simple terms, they are services that deliver information about the geographic location of mobile assets. By attaching a simple device like an electronic tag to a movable asset, you can use Location Services technology in conjunction with a wireless network to keep track of items large and small, single or multiple, and co-ordinate rosters, timetables, work and equipment flows and orchestrate a seamless and efficient workflow that not only keeps track of your expensive, capital-intensive assets, preventing theft and misplacement, but allows you greater return on their use and deployment.

Imagine the operational possibilities of being able to exploit every workable hour of an asset's life, every day, every month and then cumulatively over the span of its working life. The increased efficiencies; decreased need for additional equipment; the quicker, better service you'd be able to offer, simply by maximising the full working potential and availability of a single device, are incredible. Multiply

that over several or even hundreds of devices, and you'll start to see just why, coupled with the enterprise WLAN adoption trend, Location Services are starting to create a groundswell of excitement for those with their finger on the pulse of market and industry trends.

Location Services are typically applied in the following manner:

Wi-Fi-based active RFID tags are attached to the assets or personnel you want tracked. These tags emit a wireless signal, either at a regular interval or when triggered by an exciter. The signal is received by the wireless LAN access points (APs), and sent to a location engine. The location engine determines the tag's location, and sends it to the visibility software. The visibility software then uses the location data to display maps and reports, enable searches, create alerts, manage assets, and enable a range of related functions.

The technology uses a range of solution approaches:

- Triangulation uses a high access point (AP) density approach enabling the system to pin-point the exact location of the asset.
- Presence uses just a few APs to cover the zone and lets staff know that the asset is in a specific area, but not necessarily an exact location.
- Choke-point uses devices called exciters, which are usually placed at entrances or exits of a room, floor or building. As the asset passes through this "gate", an alert is triggered in the system.

Location Services are ideally suited for use in major, capital-intensive industries such as healthcare, logistics, distribution and transport, or facilities management and retail. Why? Because it's in these industries, that the compound efficiencies really deliver bottom-line benefits. How can a Location Service help deliver results for these organisations? Broadly speaking, Location Services work as a business tool because they provide the capability to monitor and optimise business processes, i.e. they use wireless LAN technology to improve production and other business processes to the point where the optimised process delivers a tangible competitive advantage.

Location Services at a glance

- A wireless solution that enables companies to track and monitor mobile assets across the organisation to optimise business processes
- Brings visibility to critical applications like high value asset tracking
- Enables IT management, location-based security and policy enforcement based on temperature, humidity, etc.

Typically the technology is being taken up in large-scale manufacturing, healthcare and automotive concerns.

Some common business requirements that Location Services address are:

- Maximising the utilisation of valuable shared mobile assets
- Streamlining inventory management and device or people tracking
- Telemetry to relay temperature, pressure, or humidity information about a critical device's environment
- Voice over wireless LAN (VoWLAN) and emergency or 911 applications to identify the location of a distressed caller.

Let's take a closer look at the potential benefits of the technology. Location Services deliver tangible benefits for companies using business-critical wireless LANs:

- Proactive location-based alerts based on device movement or absence and zone entry or exit
- The scalability and flexibility to track thousands of wireless clients and tags
- Centralisation for quick browsing of devices across different buildings, floors and areas.

In a nutshell, Location Services improve workflow. We take a closer look at the specifics of how this is achieved, in three specific industry sectors and the scenarios that follow.

Location Services Get Operations Going

1. Ensuring care in Health

The primary benefit Location Services offer to the healthcare sector is the ability to quickly and surely locate critical care equipment and personnel. The spin-off benefits are multiple and include the ability to better exploit the working life of expensive, specialist equipment, leading to improved diagnostics and treatment; reduction of over-ordering of assets and equipment due to waste of current resources; the ability to improve customer service by reducing patient wait time and synchronise equipment needs with patient requirements, reduce staff waiting time and improve business processes – all combining not only to provide better patient care and potentially lifesaving improvements in processes, but also to produce a better, more efficient and cost-effective business. Location Services help hospital administrators to empower staff to record better response times to emergencies, improve the often stressful work experiences of nurses and doctors, and maximise equipment utilisation, leading to the need for less capital-intensive inventory, and greatly reduce the incidence of stolen or lost equipment.

Let's take a closer look at how Location Services would operate in the healthcare environment.

Take the average hospital or similar medical facility as our model. In the typical hospital, clinical staff spend significant (wasted) time searching for medical care equipment every day. At any given time, the typical hospital cannot locate 15-20% of its assets. According to research statistics compiled by IDTechEx in January 2007, the time spent searching for these assets equates to US\$ 1,900 per nurse sent to physically search for and locate the specified equipment. And the problem spirals even further out of control, because it has the knock-on effect that staff will resort to renting a unit, or hoarding the equipment if they find themselves with the machine at hand, when they are faced with the constant battle of having to locate it when they need it. The result is a wasteful over-provisioning of equipment needed to provide patients with the care they need, driving down operational profits and ultimately driving up the cost of providing healthcare.

It's not only equipment that needs constant monitoring and tracking: in some cases the patients do too. When clinicians are performing time-sensitive procedures, they need to know

the affected patient's location and condition continuously. Other patients may simply want to get out of bed against orders – in these cases a “sitter” may be assigned to them, which again is incredibly wasteful and frustrating in the fast-paced healthcare environment. Tracking the location of older patients with dementia or newborns can also increase security and avoid high profile security breaches and other incidents.

Location Services have the ability to literally revolutionise standard healthcare processes and make everything work in better, quicker and more efficient ways. By simply attaching the electronic tag and implementing the tracking system, when a call goes out for a specific piece of diagnostic or clinical equipment, the medical team can be instantly advised of the location of the nearest appropriate equipment and can despatch a team to fetch it, eliminating hours of wasted search time and unnecessary duplication in purchase orders. Tags attached to incubators and infant cradles in hospital nurseries can alert personnel to unauthorised or suspicious movement of infants, and so on.

In effect, Location Services allow a mobile workflow, simply by optimising the use of existing resources. Business process applications such as bed management need fast, accurate status updates – without an automated mechanism, turnover time lengthens and admissions slow down – incredibly, the average wait time is seven hours! As a patient arrives in ER, knowing caregivers must be available in the area at the time of admission to make it possible to rapidly allocate resources as needed.

Some real benefits gained by actual hospitals include:

- Short term equipment lease reductions: Save US\$ 400,000 - US\$ 500,000 annually through equipment loss prevention and the reduced need for new purchases
- Labour cost reductions: Reduce the time taken by staff to locate equipment
- Asset Visibility Integration: Gains of up to US\$ 1 million from optimised bed returns and admission discharge transfer
- Locate staff in emergency situations: Locate and call the nearest healthcare provider with mobile Wi-Fi phone. The alarm is then sent to a predefined group of users for help.

2. Leaner processes for Manufacturing

After healthcare, the manufacturing industry is also leading the way in the adoption of Location Services. In the factory, the ability to locate major parts and tooling, often over a large area and on a timely basis, is absolutely critical. The industry, like many others, has increased its adoption of Wireless LAN technology to improve communications and delivery of information across plants and warehouses. The combination of Wireless LAN technology and Location Services allows companies in the aerospace, automotive and industrial space to optimise their business process effectiveness.

Analyst firm, ABI Research predicts that the market for this technology from the aerospace and defence industries will reach US\$ 2 billion in 2011. Frost & Sullivan sees heavy

manufacturing (aerospace, auto, industrial) as having some of the strongest growth in the Location Services industry, averaging 17.3% over the next five years. These numbers are not surprising as these companies face key challenges around inefficiency in the production areas and distribution facilities leading to missed opportunities in retail – directly affecting the bottom-line. Let's explore a couple of examples in the automotive industry where Location Services can impact the quality of production processes and increase retail revenues and customer satisfaction, one at the production facility and one at the distribution centre.

At any given car manufacturing facility, the issue of parts replenishment arises pretty consistently. The problem is actually two-fold. First, at a particular stage in the production line, the inventory for the part to be installed may be empty. Now what? Staff will need to walk over to manually communicate to plant administration that there is lack of inventory line-side. This of course may end up halting the production line, as part installation is usually done in sequence. The staff experience of the manual process is also not ideal.

A commonly implemented strategy is to over-provision so that there is always enough part inventory. However, this results in larger inventory stocks than necessary. Not only is this a potential waste of resources, it also impacts capacity and space at the line-side. A more ideal solution would be to use the existing wireless network infrastructure to communicate inventory shortages. A call button tag could be mounted near the inventory and, when the supply begins running low, the employee simply presses the call button and a message is automatically sent through the WLAN that replenishment is needed. The required stock for a specific location is then delivered. This allows plant administrators to reduce line-side inventory stocks and increase capacity on, or the complexity of, the line.

Second, once vehicles make it out of the production facility, there are issues at the distribution centre that need to be addressed. For example, a particular centre may service an entire town or city and have lots that hold thousands of vehicles. Tracking all the vehicles across the premises provides an accurate inventory count and can also be used to quickly locate a vehicle to be sent to the dealer, ensuring all distribution procedures and processes (for example,

Location Services
allow a mobile
workflow, simply by
optimising the use of
existing resources.

accessories installation) are followed. A combination of wireless LAN technology, Wi-Fi based active tags, visibility software and handheld devices allows easier inventory tracking and vehicle monitoring as they move around the lot or within the service or maintenance centre building. All necessary attributes of the vehicle can be stored in the visibility software system, meaning employees can search for and locate vehicles more quickly and efficiently either from a main desk or whilst walking about in the lot using handheld devices. The system can also ensure all necessary procedures are followed before the vehicle is released to the dealer.

3. Get moving with Location Services in Logistics, Distribution and Transport

Logistics and transport providers can make great use of Location Services as they face a daily risk of sub-optimal operations due to lack of information. Without visibility of the packages and equipment within their control, delivery satisfaction levels can be severely impacted. A transportation company offering express delivery across a regional geography, ships goods within containers to simplify transport, increase security and prevent damage during transit. A shortage of these containers at a depot centre, coupled with a lack of visibility of where additional containers are, can create unnecessary delays in packaging goods into containers, loading those containers on the trucks, and getting the trucks on the road.

The impact to the delivery schedule and resulting customer satisfaction levels can be large and detrimental to the profitability of operations. Placing RFID tags on the containers can automatically and quickly determine their location at depots and perhaps even allow the company to track containers more pro-actively as they enter and leave the hub, This can help streamline logistics processes, reduce shipping errors and so avoid unnecessary delays in the delivery of goods to customers.

Next steps for Location Services in your organisation

Not every technology is a fit for every organisation. So even if the logic and the benefits appeal strongly to you, if they don't dovetail with your business processes and goals, then it's not a good spend of your IT budget. How do you know

if Location Services would be a good technology fit for your organisation? Here are some of the red flag markers that indicate a 'match':

- Your business requires an automated way to locate and track assets and people.
- You want to leverage an existing wireless LAN infrastructure and optimise the features and capabilities it offers.
- You have some clear and urgent pain-points in your business – things such as waste due to over-provisioning; poor use of staff time due to a continuous search for critical assets; and low customer and employee satisfaction because of the ongoing frustration of having to deal with inefficient business processes.

Still unsure? If you find yourself pondering the following questions, then Location Services is a path you will want to explore further:

- How effective is your current system for tracking and location of equipment?
- Do manual inventory systems slow down the inventory tracking process?
- Is your current communication system an effective way to get in touch with experts (such as doctors and nurses) or other key personnel, regardless of where they are in your building, facility or the general vicinity thereof?
- Would mobile wireless computing assist production, inventory control and mobile staff communications?

The technology and its capabilities are an especially profitable fit operationally for large manufacturing industries where repeatable processes, intense capital investment and the pressure of non-negotiable deadlines and timeframes make traceable, locatable and movable awareness of capital assets a hugely profitable business tactic. If you've checked the boxes on the red flag questions, then this is an emerging technology you need to investigate for your organisation.



The COO of IT

An Interview with Etienne Reinecke

Précis chats to Dimension Data's Chief Technology Officer, Etienne Reinecke, about his take on the evolution of the role of the CIO in recent years.

Let's kick off by providing some context for this discussion: How you have seen technology and the IT function evolve over the past five to eight years?

If we look back to 2001 or so, during the run-up to the dotcom crash, company boards were very aware of technology but perhaps struggled to grasp exactly how to apply technology to their businesses, beyond the traditional mainframe. Many companies were spending huge amounts of money on things that they really couldn't find a business return on. When the dotcom bubble burst, everything changed fundamentally and technology and IT were viewed with a certain amount of suspicion.

The tide has slowly started to turn over the last five to six years and IT has certainly matured in a number of important ways. For instance, we've seen a lot of standardisation, which has meant that cost of ownership of technology has come down and organisations have definitely tapped into the 'sweet spot' of how technology can actually impact their business in a positive way. If you talk to people today, IT is definitely seen as a 'ticket to play'. Decision-makers realise that IT will be an integral part of the DNA of any business plan that is written and that regardless of the size or nature of their business, it's critical that they have a robust and responsive IT team in place to support them.

This shift has also impacted the behaviour of vendors – you only have to look at the way they have changed their offerings and the way they target customers. These days, they don't only have their sights set on big corporates, they also have offerings specifically designed for small to medium enterprises.

Today, IT is recognised for the role it plays from a cost perspective – that is, how it can help the enterprise save or make money – as well as the role it plays in reducing risk and ensuring regulatory compliance. It is also widely accepted that IT is key to the achievement of strategic agility, not just in the short term, but in the medium to long term too.

Considering these developments, how has the role of the CIO changed in recent years?

The role of the CIO has changed fundamentally in terms of stature, level of responsibility and the areas that he or she has an impact and influence on. Today's CIO has a direct influence on the organisation's income statements, balance sheets and many of the other financial parameters that the business is measured on. All this has resulted in a perspective that today's CIO is more a "COO of IT" rather than just a smart technology person.

To what extent have you seen that CIOs have taken that step forward and stepped up to the plate in terms of embracing this broader and more strategic role?

CIOs have definitely realised that they now have more power and influence within their organisations and accordingly have staked their claim to a place at the boardroom table. Today, the CIO will form part of the inner circle that plans the strategic path for the organisation for the medium and long term. This is because he or she is the one who is going to have to make it happen, not just from a technology perspective, but also from a cost-effectiveness perspective. Given this metamorphosis of the CIO function, nowadays it's not uncommon for CIOs to eventually move into the role of COO, due to the fact that they have a deep understanding of the basic "engine room" as well as a firm grasp on the levers that impact the financial metrics of the company.

Do you see a shift in the way the IT function is being managed as an operating unit, given the elevated profile of today's CIO?

Most definitely. The make-up of the typical IT organisation is very different to what it was five years ago. While the CIO still manages an IT group that looks after the organisation's different technology areas and the operations group that worries about maintaining these assets, today's CIO also has significant influence and power over the procurement function and it's not unusual for the Chief Procurement

Officer to report into the CIO. CIOs today are also much stronger and more influential in driving alliances and are often responsible for managing an alliance team that is dedicated to managing the organisation's existing partners and exploring what new affiliations they can possibly leverage. Today's IT department may also include a business strategy group which looks at innovation and the business's timelines and considers ways that technology can be brought to bear. These are not parameters and metrics that CIOs had to worry about five to eight years ago. Back then they were focused squarely on the IT group and keeping operations up and running, whereas now there is a much more direct link to and focus on the things that impact the business strategy and the financial metrics.

Given the challenges of the current macro-economic climate, what would you say are some of the most prevalent challenges faced by today's CIO?

What CIOs are definitely thinking about – particularly in those verticals that have been hit hard – is productivity and how to reduce cost. When it comes to making decisions around what to prioritise and what to delay in terms of IT investments, preference will be given to things that will save the organisation money or drive down operating costs, for example, getting better efficiencies out of expensive bandwidth by using optimisation technologies. Technologies that drive down the cost of going to market, such as e-procurement, will likely take precedence over a high-definition telepresence project, for example, which would be a bit harder to justify in times like these. Technologies that allow people to do more remote working, such as mobility, are certainly getting a strong boost in these tough economic times, as is IP telephony, which involves decoupling the physical presence of where people work and take calls and can have a huge impact on driving down costs.

Finally, smart CIOs' focus will not only be on finding ways to save money, but also to make money. They will be looking at the market and saying "Maybe I need to use different channels to drive down the cost of sale? Given the digital nature of the today's mainstream workforce, is there a different, non-traditional go-to-market model that my customers would prefer? Maybe I should consider shifting investments to fast-track that."

Serve Yourself

Contact centres drive efficiencies with self-service

In an age of channel proliferation, ever-increasing customer demands and education, organisations are increasingly seeing self-service as a supporting mechanism to drive down costs and increase efficiencies in technology and operational budgets.

Managers are continually faced with the challenge of reducing costs and finding innovative ways to raise returns in their businesses. Within the contact centre context, we find a growing number of senior executives looking to self-service technologies because of their potential to solve many of the operational and cost challenges faced in this environment.

The recent 2008 Global Contact Centre Benchmarking Report surveyed 300 contact centres from 36 countries across five continents. Findings from the study revealed a continued upward trend in the utilisation of self-service in contact centres.

Self-service is now firmly established in the industry, with 31% of all transactions completed on a self-service channel. Highest among these is interactive voice response (IVR) self-service (15.5%); followed by Web self-service (13.7%), with speech self-service and Web co-browsing making up the balance. Ten years ago, 90% of all inbound transactions were completed by a human agent. Today, human agent transactions account for just over 50% of all inbound transactions.

What does this mean?

This is quite a significant shift in activity and makes sound business sense when considering the benefits self-service offers. These are multiple – not only for the organisation, but



Ten years ago, 90% of all inbound transactions were completed by a human agent.

also for customers. Benefits to organisations include much lower interaction costs; reduced agent headcount; extended and leveraged technology platforms and reduced customer churn through increased satisfaction on a transaction by transaction basis. Agents are also more motivated as they generally spend more time dealing with more complex and emotive enquiries than with routine ones.

A well-executed self-service application can redirect inbound call pressure to a more suitable channel for the more routine and regular inquiries. And if organisations ensure that it works well, they have a winning combination. It is important that centres never neglect to ensure that the application supports the user experience.

It's estimated that a successful self-service transaction amounts to as little as 15% of the cost of a human agent call.

Cost and other benefits

It's estimated that a successful self-service transaction amounts to as little as 15% of the cost of a human agent call. The average cost of a self-service transaction is US\$1, compared to approximately US\$7 per human agent transaction. Employing self-service applications provides a staggering cost benefit to organisations – simultaneously freeing up agents to deal with more complex and challenging inquiries.

Should this be taken one step further in terms of costs of first call resolution, there are further financial benefits to be gained by servicing customers on a lower cost channel and serving them well, first time. For every transaction that is redirected to an agent, costs escalate and then include those of the initial transaction plus preparation time on any call-backs and extra agent time taken to resolve the query.

Although self-service can reduce the cost per interaction, another major benefit for the organisation and its related contact centre lies in the fact that it can extend its core technology platform. This can mean big savings when compared with acquiring stand alone technologies.

Where to next?

Contact centres are under pressure to deal with far higher volumes of calls, and to resolve queries faster and more effectively. What's more, increasing numbers of customers are demanding information immediately, and it must be correct. Gone are the days when customers accepted a slow response from the contact centre. Instead, they're opting to use self-service.

Increasing customer demand and subsequent volumes mean that contact centres will no longer be able to manage these through voice channels alone. To retain these customers and save costs, it's vital that contact centres move the simpler, routine transactions to well-designed self-service channels.

A customer-centric approach should dictate an organisation's non-voice channel development and the impact on the end user should not be underestimated. Customer expectations, increased complexity of enquiries, and highly dynamic environments are just some of the considerations that impact a successful self-service offering.



Risky Business?

Cut Costs not Security

The impact of a security breach is often devastating and security needs to be at the top of corporate agendas. So, in tough economic times, what tactics should responsible IT security decision-makers consider to ensure their organisation's security posture is not compromised?

In the current economic climate, CIOs and other security decision-makers face the unenviable challenge of keeping up with maturing technologies such as virtualisation and consolidation, whilst reducing costs and squeezing the most out of existing investments. All without raising the organisation's risk profile or exposure to security threats, both internal and external.

When profits decline, a corporate's 'buffer' ability to absorb business disruptions, lawsuits, bad publicity, decreasing consumer confidence and loss of confidential data also declines.

Many enterprises make the mistake of regarding security as an overhead or "grudge purchase" – an expense on their balance sheet. While it might be tempting to target security spend during lean times, excessive cutting back is not a smart course of action. Ensuring adequate IT security and availability, and creating an operating environment that effectively manages and mitigates risks, should remain critical priorities.

In fact, cautions Dwaine van Vuuren, global practice lead at Dimension Data, a robust security infrastructure becomes even more important during tough economic times. "When an organisation embarks on a cost reduction exercise, it often involves staff layoffs, and it's during these times that the insider threat/disgruntled employee cloud looms large."

Hackers, script kiddies, organised crime, espionage, spammers, phishers, viruses and worms stay unaffected by economic slowdowns. In addition, loss of laptops, PDAs and tapes with confidential information due to human error or negligence don't diminish either.

Organisations can't ignore regulatory and compliance imperatives during slowdowns, and while more rigor will be applied to cost management and vendor selection, these initiatives need to remain firmly on the agenda. While compliance does not equal security and vice versa, compliance and regulatory requirements often give impetus to corporate security initiatives.

"Disclosure laws and the bad press which accompany security breaches don't slow down with economies and the advice we give organisations is, for maximum return, to run compliance-driven projects with overall security in mind and vice versa," van Vuuren says. More importantly, innovation doesn't slow either. In fact, the IT industry will continue to see a slew of new and complex threats and assaults on corporate networks, regardless of the economic climate.

"A decade ago, most security breaches were undertaken in pursuit of fame and the thrill of the challenge. Today the environment is more sinister. Criminal organisations dedicate time, money and resources to defrauding corporate networks, and are predicted to proliferate. All this means

that the responsible CIO can't afford to let security slip off his or her priority list, regardless of the economic climate," van Vuuren explains.

A significant market dynamic is that while corporates shrink their IT budgets, the level of complexity associated with maintaining their security posture continues to escalate. "Typically, a corporate's security infrastructure comprises legacy, multiple point solutions that are managed in different systems. Different solutions are tacked on over time – firewalls, intrusion detection, Internet gateways, for example – and in many cases, the management of this infrastructure can become almost impossible to handle," explains Van Vuuren. "What's more, these systems then require hands-on operation, which brings with it increased risk of human error and in turn wastes time of the organisation's highly skilled staff.

"Organisations often become aware of the severity of the situation when it's too late. Money or reputation has been lost, and the company auditors have intervened," he adds. So what options are available to organisations that are under pressure to raise the return on their security investments, given the challenges outlined above?

The good news is that ongoing convergence in technologies, market models and organisational processes offers enterprises a significant opportunity to reduce security costs and complexity, without adding risk. The challenge is to ensure that functionality and focus are not lost in business critical areas, when striving to simplify and consolidate technology and management.

"Consolidating security applications onto a unified environment is definitely becoming an attractive option for many organisations," explains Van Vuuren. "A consolidated security appliance such as unified threat management (UTM) is not only more operationally efficient, but the benefits can also be impressive when it comes to cost savings on power and ongoing management and maintenance costs."

"The option of migrating the management of a complex security infrastructure to a consolidated security management console is also gaining popularity among our clients," comments van Vuuren. "And SIEM (security information event management) technology and tools have matured significantly in recent years. In addition, we are seeing an

increasing awareness on the part of vendors of the importance of ensuring that all their products can be managed as part of a single management platform."

SIEM solutions enable the CIO to obtain a single report and gain a holistic view of an organisation's security posture at the click of a button, rather than having to generate numerous different monthly reports, each of which would require analysis by a different security manager – a process that could take several weeks. In addition to achieving improved visibility, personnel expenditure can also be slashed as there's no longer a need to have a dedicated expert overseeing the management and reporting for each discrete area of the security infrastructure.

From a career development perspective, this approach has the benefit of giving a broader, more challenging job profile to a smaller, select number of IT professionals who can focus on strategic rather than tactical activities.

"Other options for cost savings that we're seeing uptake around include embedding security 'in the cloud', making use of free or low cost security solutions, and open-source security software, where appropriate," van Vuuren says.

Adopting a selective sourcing or 'Multisourcing' approach to your organisation's security management function is another area gaining recognition as a 'quick-win' among cost-conscious CIOs who are under pressure to maximise return on their security spend.

A decade ago, it wasn't unusual to have a dedicated resource on point to oversee different aspects of the enterprise's security infrastructure. Today this is simply not practical or affordable. The costs related to finding and retaining highly trained engineers in-house is significant and always on an upward curve. Highly trained technology experts are in short supply, and they also require ongoing training to ensure they stay abreast of the latest trends and developments.

"Revisiting your sourcing strategy and electing to outsource routine and mature security processes can be an effective cost trimming tactic," notes van Vuuren. "Just don't let a cost cutting exercise be core to your selection of a security partner."

Case Study

Dimension Data Assists Global Financial Services Provider Re-engineer its Sourcing Strategy

An IT Service Management consulting service enables this client to realise cost savings and improved efficiencies

Client background

Our client is an US\$85 billion global financial services firm. Historically, the cornerstone of the firm's business has been providing financial services to institutions as well as investment banking. In recent years, the organisation has pursued a strategy of growth, including expansion into new geographies and emerging markets such as South America, Asia, Eastern Europe and the Middle East.

Business challenge

A key senior management change in 2005 sparked an intense focus on operational efficiency, core competence and cost management. These pressures have continued to intensify following the recent economic downturn in the United States. 2007 was a particularly difficult year for our client due to the sub-prime mortgage meltdown in the United States.

The organisation suffered a US\$3.9 billion fourth-quarter loss from continuing operations and the firm's FY2007 net income decline. Its FY2007 net income was 57% less than its FY2006 net income. In addition, the company's stock price is currently down 42% from its June 2007 peak.

"All the IT departments we serve are talking about cutting costs," reports Liam Rutherford, Dimension Data's global account manager for the client. "As part of its belt-tightening

Quick Overview

- **Industry:** Financial Services
- **Country:** United States
- **Challenge:** Faced with an economic downturn in the United States, our client needed to strategically prioritise its business in a way that put operational efficiency, core competence and cost management firmly under the spotlight
- **Solution:** Dimension Data's IT Service Management consulting service enabled the client to re-engineer its sourcing strategy, which in turn generated a number of benefits in terms of efficiencies and costs
- **Results:** Insight into the current state of operations within its network control centre has enabled the client to re-evaluate the way it currently sources IT and make informed decisions on improvements and enhancements

The company was looking for the optimum sourcing mix

exercise, the company began applying a sharper focus to its IT services sourcing strategy. The firm recognised that revisiting its approach to the way it sources IT services could hold the key to a number of benefits in terms of efficiencies and costs. The company was looking for assistance in its charter to find the optimum sourcing mix – that's where Dimension Data came in," explains Rutherford.

Relationship history

The client is one of Dimension Data's largest global accounts. Our current engagements include the global supply and staging of Cisco hardware and other technologies as well as staff augmentation engagements around the world.

More recently, we were engaged by the firm to undertake a comprehensive IT Service Management consulting exercise for its network control centre (NCC). The objective of this exercise was to help the client optimise the NCC and educate management so it would be appropriately positioned to drive an optimal sourcing strategy.

The client is currently looking at off-shoring and remote configuration work, as well as possibly enhancing current staff augmentation into a full managed services function. There will also be a series of additional Network Control Centre improvement initiatives.

Value added

- **Business-aligned sourcing strategy**

By leveraging the results of Dimension Data's IT Service Management consulting service, the client has made significant progress in re-engineering its sourcing strategy. "Knowledge is power – the insights we provided the client with respect to the current state of operations within the NCC have enabled it to re-evaluate the way it currently sources IT and make informed decisions on improvements and enhancements," says Rutherford. In late 2007 the firm began the process of adopting a Multisourcing approach for the management of multiple IT "towers", including enterprise telecommunications and IT-wide service desk/configuration Management database (CMDB).

- **Long-term partnership approach**

One of the reasons for the success of Dimension Data's ongoing engagement with this client is our dedication and focus on the account. We are fully committed to being a long-term partner and trusted adviser. We have all the right people and all the right technology in place to offer real value and innovation to the client's global business operations, especially in tight economic conditions.

- **Flexible engagement approach**

A flexible approach to this client engagement has – and will continue to – drive the success of the relationship. We anticipate the impact of the recent economic conditions in the United States on the client's business to manifest in the form of further cost containment pressures. This could mean reduced headcounts and a shift to lower cost off-shore resources. Dimension Data's is a reliable and loyal partner that can help weather the storm and to demonstrate our commitment, we will focus on the introduction of shared risk and reward type commercial models.

Research Notes

RECENT STUDY REVEALS THAT SLAs ARE GENERALLY ADEQUATE AND WELL-ALIGNED

Recent research commissioned by Dimension Data indicates that around the globe, CIOs are making great strides in strengthening their service level agreements by working more closely with both their business stakeholders and service providers and are also leveraging the benefits of IT Service Management best practice frameworks. In fact, contrary to popular belief, the majority of organisations are satisfied with the coverage and level of alignment of their existing SLAs. The research involved interviews with 370 CIOs from 14 countries across five continents.

When asked how well their existing SLAs are aligned to business processes, over a third of respondents (37%) report that they are entirely satisfied with the level of alignment and the coverage provided by their SLAs. A further 33% reported that they were comfortable that their SLAs are defined around relevant metrics, although they still experienced some challenges around coverage. All in all the results are encouraging, and support the notion that the IT organisation is on track towards crafting SLAs that hit the mark and meet the needs of their business stakeholders.

According to Scott Petty, Dimension Data's services executive, in recent years organisations have become more sophisticated users of IT services, and outsourcing relationships have evolved from pure contract management towards a partnership model. "In line with this trend, the concept of service levels is also evolving. CIOs are starting to revisit their approach to SLAs and are seeing the value in working closely with business units and leveraging the expertise of service providers to craft SLAs that pass muster is today's competitive business environment where business and end-user requirements are continuously on the rise."

To read the full report on the findings of this research, please visit www.dimensiondata.com/howdoyoumanage

Utilisation of self-service in contact centres continues its upward trend and shows little sign of abating.

DRAMATIC INCREASE IN ADOPTION OF SELF-SERVICE BY CUSTOMERS AND CONTACT CENTRES

Utilisation of self-service in contact centres continues its upward trend and shows little sign of abating. Primarily driven by convenience for customers and cost savings for contact centres, self-service has become a firmly established channel. According to the 2008 Dimension Data Global Contact Centre Benchmarking Report, 31% of all transactions are completed on a self-service channel. Highest among these is interactive voice response (IVR) self-service (15.5%), followed by Web self-service (13.7%), with speech self-service and Web co-browsing making up the balance.

Ten years ago, 90% of all inbound transactions were completed by a human agent. Today, human agent transactions only account for just over 50% of all inbound transactions. Alex George, Dimension Data spokesperson for the Benchmarking Report, says, "It's estimated that a successful self-service transaction amounts to only 15% of the cost of a human agent call. The average cost of a self-service transaction is US\$ 4 compared to US\$ 34 per human agent transaction. Employing self-service applications provides a staggering cost benefit to organisations – simultaneously freeing up agents to deal with more complex and emotive inquiries," he explains.

For more information about the Report, please go to www.ccbenchmarking.com

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