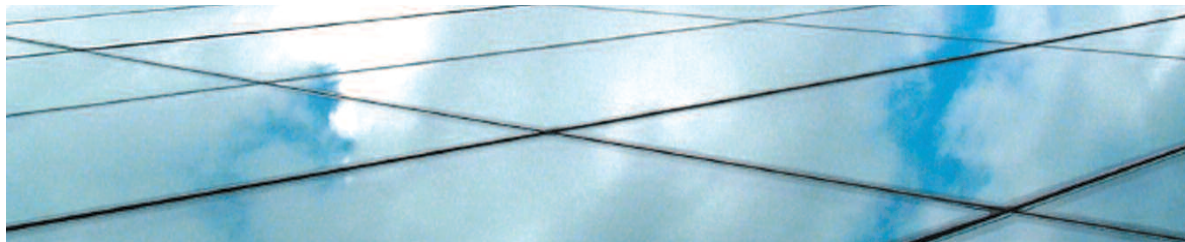


longview

A PUBLICATION OF LONGHAUS

EDITORIAL
OPINION
REVIEWS



WELCOME

Hello and a belated welcome to the July 2010 edition of *Longview*.

This month we concentrate on the holes that exist within the ICT industry. That is, things that we should be doing that we are not, and roles that we should be developing but do not.

I particularly believe that Sam's article on Quantity Surveying is a seminal piece of insight for our industry and it is certainly critical that we find some answers in the coming years.

And don't forget that if you are currently undertaking technology or vendor evaluations to be sure to grab a subscription for access to the latest content on The Research Channel with new episodes over the coming weeks that cover: EMC, Salesforce.com, Pegasystems, IntraPower, Juniper Networks, SAS, IBM, Fujitsu, CSC, IBM zSeries, and Microsoft Azure.

Plus watch free interviews with Ingres Corporation, Penthao, Redhat, SugarCRM, Base2 Services, Yellowfin and Oracle, all at www.longhaus.tv.

We'll see you in the market, on LTV or next month in *Longview*.

Educating the Opposition: industry lessons from the federal election



by Peter Carr

As an industry we largely know about the current federal opposition because they were the incumbent government for 10-years. In contrast we currently know very little about the state oppositions other than that we don't see them attend industry events, they never release significant ICT policies, and their involvement in industry associations and societies is non-existent.

The result is the perpetuation of back-room bargaining with current Governments by an industry that is widely acknowledged as driving the future of this country.

Rather than wait for almost a full turn of the government cycle, in the business of advocacy and growth for ICT there exists a significant amount of untapped value in educating the opposition during their wilderness years. I recall a conversation with Senator Kate Lundy last year about her time in opposition in which Kate described how as an opposition ICT spokesperson she was made to pay for access to international ICT market research. Of course this all changed on becoming a member of the newly installed Rudd Government when she was promptly told that her access had increased somewhat. From an industry growth and empowerment perspective that is so backwards as to be blatantly self-serving.

We accept that like any well functioning sector within a free market economy there are industry representations within our market that have stronger alliances with government than others and therefore stronger opportunities to bring about a systemic change in the way ICT deals with both the politics, and bureaucratic systems of government. However, as we consider the fallout from the current federal election it is clear that some alliances have become close enough that the industry must ask itself whom these associations and societies are actually representing: the industry from whom they take fees, or the government as a buyer whom they are loathe to upset.

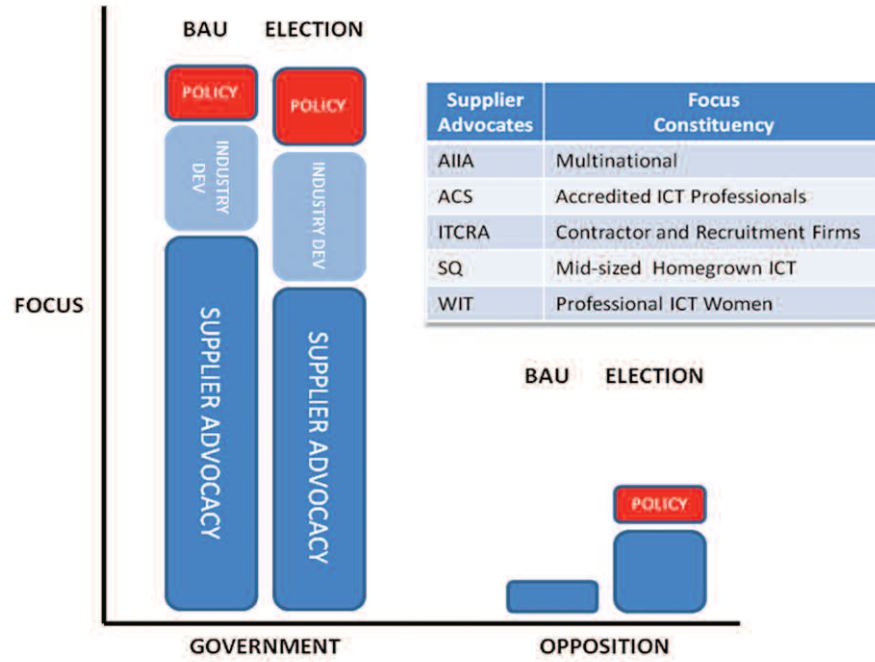
Ultimately at a change of government, especially when it involves the ousting of a long serving government, the bureaucracy will typically grind to a halt while the new leadership takes stock of their political inheritance; department by department, policy by policy and industry issue by industry issue. It is in this process that an under informed and unloved former opposition will find it easy to simply shove the ICT industry to the back of the line.

At the heart of the current approach to educating the politic are four challenges that the ICT industry faces. These challenges are representative of an imbalance within key focus areas during the regular government cycle (see Figure 1):

1. Industry only talks serious ICT policies when the politicians hit the hustings or just before the election begins and therefore the importance of ICT in a business-as-usual context is perhaps the most under-done element of government-industry relationships.
2. Industry associations (see the table insert) run the risk of drifting too close to government during their term at the expense of members, causing potential conflicts relating to partnerships between associations and government as the perceived way to achieve outcomes.
3. Elected representatives of the political opposition have limited time and even more limited staff resources, often sharing a single advisor between three shadow ministers whom themselves may cover multiple portfolios.
4. Opposition parties rarely undertake market or industry assessments to inform themselves of industry development opportunities and are made to pay for access to types of information that the government of the day may be graced with through vast professional networks and the public servants responsible for industry development.

As an example, in Queensland we understand that key members of the ICT industry have been inside the opposition party room but it must go further than that. In government it is widely acknowledged that the Opposition Leader's best opportunity to impact thinking each year is to deliver a response to the sitting Treasurer's budget address.

Figure 1:
A focus imbalance during the government cycle is problematic for the ICT industry



Source: Longhaus model of cyclical government ICT industry focus

As an industry we must encourage the same. For over five years now the Queensland Premier has addressed the ICT industry with close to 1,000 people now in regular attendance at the AIIA-ACS sponsored event. It must be a consideration that the Shadow Minister or Opposition Leader would attract similar numbers and stands to reason that the government is not always well placed in terms of ICT credentials at any given point of the cycle.

Taking this year as an example, Software Queensland was in vocal opposition to the substance of the Premier's address to industry. They are also a relatively smaller association in the lobbying stakes. As an alternative voice for industry advocacy both Software Queensland and another event company would surely relish the opportunity to facilitate an opposition focused annual event in response to the Premier's presentation.

When broadened beyond events, perhaps the continued development of Industry Working Group's or Ministerial Advisory Groups are not the approach the ICT industry needs to take. Rather, perhaps it should start to employ some of the tactics found in martial arts which often use the weight of the opponent to gain greater control.

Are we advocating a combative stance? Far from it. What we are advocating is the proper use of the system of government that is the fundamental under-pinning of our society. We are advocating that empowering the opposition to drive change in the sitting Government's ICT agenda may be a better and more enduring solution than current efforts are returning in real change. This approach simply acknowledges that the smartest and best equipped person in the room to lead change in a specific industry doesn't always win government or indeed even if in government carry a Ministerial mantle. Senator Kate Lundy is one such example.

At the same time, the industry can't always be spoon feeding an opposition party in order to point out the bleeding obvious and take action within a parliamentary setting. The opposition must be prepared to take those nervous first steps and start the debate on technology. We understand it is a

foreign language for many, but learn to speak it they must.

An easy and accessible first step for everybody would be the development of Government Opposition Special Interest Groups (SIGs) within the Australian Information Industry Association (AIIA) and the Australian Computer Society (ACS) to focus on opposition or even more simply politician education. SIGs currently exist for everything from contracting to Green ICT so establishing a group within an existing structure would be no impediment.

Taking this concept even further, as the major associations become increasingly politicised and board-oriented is it a far cry to expect that they too should have opposition functions within their own elected ranks to keep the main board on the right track? Maybe that level of scrutiny already exists in some respect with different associations within the industry often being critical of each other. Maybe not.

While some may see this type of call as disunity, it may be that denying such an approach is simply reinforcement of how politicised and potentially loaded industry interests have become. We also no longer feel that a single united voice for the ICT industry as requested by Peter Beattie in 2004 is achievable, valuable or even credible. It is a concept that would apply to very few industries as the Rudd Government discovered when it attempted to enforce a tax on the "mining industry" only to make subsequent concessions for recognised segments.

It is well acknowledged within the ICT industry that the AIIA's power-base is currently in Queensland, and that the ACS' power-base resides in New South Wales. It is further acknowledged that these two monoliths are regarded by those governing bodies that matter as the current go-to think tanks for all things ICT. As such they would still seem like logical hotbeds for opposition SIG's that can assist the industry bring to bear more credible and sustainable long-term relationships with Government. But it would require a fundamental change in their approach to government and we aren't sure that either are up to the task.

Quantity surveyors of the ICT industry: where are you?

by Sam Higgins



As members of a relatively young industry ICT professionals have often sought to mimic and model the key practices that drive successful outcomes in other industries and professions. The ICT industry has, with mixed success, leveraged practices such as diagrammatic design, process management and quality assurance from engineering, through to high level architecture, consultative planning and project management from the building industry.

Meanwhile practices such as portfolio management originate from the financial services sector, while the concepts of long-run marginal cost and subscription based pricing that underpin cloud computing business models are borrowed from the utilities sector, including telecommunications. Even the titles of our highest paid ICT roles of Enterprise Architect, Business Analyst, Software Engineer and Project Manager help to cement the origin of the various species of ICT practitioners.

Despite all this effort there remains one area ICT organisations, both end-users and vendors, must improve. And it is an area that is critical for both traditional ICT projects as well as new cloud computing service providers; the role of the Quantity Surveyor.

The Australian Institute of Quantity Surveyors (AIQS) defines the role of a Quantity Surveyor as “construction industry specialists who estimate, control and report on costs” (see <http://www.aiqs.com.au/>). More specifically a Quantity Surveyor is “known as a Construction Economist, or Cost Manager, [and] is one of a team of professional advisers to the construction industry”. Their roles include:

- Estimating and monitor construction costs, from project feasibility to completion;
- After completion, assisting with tax depreciation schedules, and replacement cost estimation for insurance purposes;
- Working closely with architects, financiers, engineers, contractors, suppliers, project owners, accountants, insurance underwriters, and solicitors in an advisory capacity;
- Develop Bills of Quantities itemising quantities of materials and labour for the project measured from the designs and used for tendering, progress payments, for variations and ultimately statistics, taxation and valuation; and
- Use techniques such as Cost Planning, Estimating, Cost Analysis, Cost-in-use Studies and Value Management to establish and maintain a project budget on behalf of the Project Manager.

Quantity Surveyors are experts in converting an architect or engineer's plan into an accurate budget for delivery based not only on experience, but on the collection of industry-wide shared metrics over the life of many projects and the subsequent assets that they create. In this way Quantity Surveyors constantly refine cost for different permutations and combinations of materials, environments and methods ensuring planned to actual delivery variations are reduced over time.

Unfortunately the reality of ICT cost management at this level within Australian large enterprises is non-existent; with many organisations unable to quantify basic operational costs or asset replacement values, particularly on core enterprise software. Although adoption and application of effective cost management practices is low, according to the Longhaus 2010-11 *ICT Adoption and Priorities Study* improving ICT financial management was seen a high priority for 39% of Australia's large enterprises. This result was much higher this year than compared with 2009-10 when reported as a high priority for only 23% of firms. This begs the question: if financial management in ICT is poor, but so

important for success where are the Quantity Surveyors of the ICT industry? The answer for almost all organisations today is “no where”.

When it comes to an ICT equivalent of Quantity Surveyors Longhaus has observed that the task is typically divided across Project Managers who may have no exposure to the specific technology or approach being used and its cost nuances, Solution Architects who often have no financial background to express the costs their designs entail, and traditional Financial Analysts with no real ICT knowledge to accurately develop a valid cost model. Few if any of these people use formalised costing techniques like those employed by Quantity Surveyors in construction, and even less employ benchmarks and formalised metrics as the basis of estimation.

Within ICT services firms the need to manage cost provides some emphasis on, and motivation for establishing, this type of role, but it is often more aligned with or part of a


Product or Service Management role than any formalised Quantity Surveying function. This is a situation that Longhaus believes cannot continue. Nowhere more so than within cloud computing service providers whose drive for economies of scale and usage-based pricing models will require an ever increasing emphasis on complex and long run margin costing models. These are the cost modelling playgrounds for traditional Quantity Surveyors and should be for an new breed of ICT Quantity Surveyors.

More concerning than the absence of Quantity Surveyor roles within most ICT operations is the lack of local firms with the capability or knowledge to offer these services. In Queensland the AIQS has over 45 firms that offer Quantity Surveying services and some 570 individual Quantity Surveyor members. In contrast local ICT services firms offering true estimation services are few and far between. Longhaus' discussions with end-users and our own secondary research reveals only a handful of firms that can offer the kinds of services most aligned with the AIQS definition of Quantity Surveying, but within an ICT context. These include companies such as Total Metrics, Charismatek Software Metrics and Core Consulting Group.

In the absence of firms that can provide assistance in relation to Quantity Surveying where can organisations turn? Thankfully while the collection of ICT industry shared metrics is often something left to academics or analyst firms, the metrics required for effective Quantity Surveying of software projects can be found through organisations such as

... there remains one area ICT organisations, both end-users and vendors, must improve. And it is an area that is critical for both traditional ICT projects as well as new cloud computing service providers; the role of the Quantity Surveyor.

the International Software Benchmarking Standards Group (ISBSG) (see <http://www.isbsg.org/>) and International Function Point Users' Group (IFPUG) (see <http://www.ifpug.org/>). Both ISBSG and IFPUG offer good starting points for adding more effective ICT quantity surveying practices to your organisation and go well beyond the scope of what would be inclusive of a standard contract based outsourcing benchmark exercise.

In construction, it is those projects that employ three key people that ultimately deliver a successful outcome; an Architect, a Quantity Surveyor and a Project Manager. So before starting your next ICT skills audit or project, ask yourself "Where are my ICT Quantity Surveyors?" If you can't find them then be sure to have your cheque book ready. 

Do you have the answers when it comes to the Australian technology market?

Longhaus does and we bring it to you not only via traditional research reports, but in easy to consume vodcasts on Longhaus TV. Jump online now at www.longhaus.tv for the latest briefing and analysis content out this month. We'll give you leading insights into EMC, Salesforce.com, PegaSystems, Juniper Networks, SAS, IBM, Fujitsu, CSC, IBM zSeries, and Microsoft Azure plus interviews with Ingres Corporation, Penthao, Redhat, SugarCRM, Base2 Services, YellowFin and Oracle. At less than the cost of a morning coffee per day, don't miss your chance to stay abreast of the enduring decision factors that remain long after the news hype has gone away.



Know the ICT market and
impress the boss
for less than
the cost of a latte a day

 The Research Channel

SUBSCRIBE TODAY FROM \$75

FROM \$75* PER USER PER MONTH

*No minimum users. Minimum cost \$375 + GST over 3 Months

WHERE YOU'LL SEE US, WHERE WE'VE BEEN

Visit us at www.longhaus.com for an up-to-date list of recent and upcoming briefings, speaking engagements, public events and press.