

IS SURVIVAL GUIDE · BOB LEWIS

Do the math to find the price your business pays for personal computing

MANAGEMENT SPEAK: *Our leadership team has determined that we need to establish metrics for our key processes to verify that we continuously improve.*

TRANSLATION: *Let's produce a blizzard of numbers large enough to make the leadership's eyes glaze over while not actually measuring anything useful or informative.*

— Irving Anonymous provided this week's vocabulary builder



THERE'S AN OLD joke about a farmer who loans his mule to a friend. The mule will work hard if treated well, he explains. All you have to do is speak gently, and the mule will do what you want.

His friend tries it out, but the mule won't do anything — it just sits in its stall taking up space and food. When the owner comes back, his friend complains.

Puzzled, the owner picks up a two-by-four and starts whacking the mule about the head and shoulders.

"I thought all you had to do is to speak gently," his friend says to him.

"Well sure, but first you have to get its attention," explains the farmer.

The joke isn't all that funny, but the punch line can be used in a wide variety of circumstances. It probably explains, for example, the exorbitant estimates bandied about for the total cost of ownership (TCO) of a personal computer. The promoters of these ridiculous estimates are just trying to get your attention.

This is the last of our three-part series on the subject. First we showed that TCO asks the wrong question. Last week's column focused on the statistic that you should care about the most: the fixed overhead costs (personal-computer overhead costs, or PCOC) associated with LAN-attached PCs. PCOC comes to about \$3,000 per year.

We're going to wrap things up this week by looking at the number you may have thought

TCO measured: the cost of personal computing. Personal computing is the term we'll use to cover the use of word processors, electronic spreadsheets, personal information managers, and stuff like that — software designed to enhance personal productivity and effectiveness.

It's tempting to calculate a total cost for personal computing, but it would be a mistake for two reasons. First, the benefits, although huge, defy quantification. (The proof: PCs have transformed the workplace. Not one PC-enabled job looks remotely like what equivalent employees produced 15 years ago.)

Just as important, the costs of personal computing are variable — they go up with use. Your goal when dealing with variable costs should be to reduce unit cost, not total cost. And the cost we're interested in is not the cost of personal computing itself, it is the cost of the work supported by personal computing (because that's where the benefit comes in). Let's walk through an example.

Figure that an average employee gets one day each year of formal training, another day of support, and loses two days each year just figuring out how to do stuff. That comes to about \$1,600 per year for four days of the

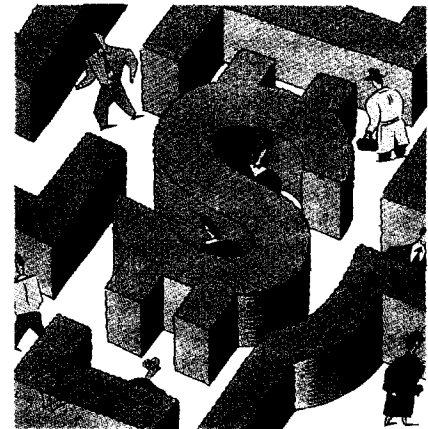
employee's time and one day of the support staff's time, at a standard rate of \$40 per hour (a reasonable estimate of an employer's total cost for an employee who earns \$50,000 per year). Allocate one-third of the PCOC cost to this category of benefit (the other two-thirds go to the other uses of a PC) and you come to a total annual cost of \$2,600 per employee for improved personal productivity and effectiveness.

Let's figure that about half of the employee's total work — about 1,000 hours per year — is improved by personal computing. That makes the unit cost of personal computing about \$2.60 per hour. This comes to 6.5 percent of the \$40

the employer is paying for each hour of the employee's work.

Here's a wild guess: Personal computing leads to improvements in productivity and effectiveness that vastly exceed 6.5 percent. Reduce your support costs? Sure, so long as it has no deleterious impact on the employees you support.

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TIM LEWIS / LAUGHING STOCK

Young company makes mad dash to apps

■ Built-in advantages, staffing, and rapid decision-making are keys to success

By Blaise Zerega

FOR PETER BROWN, being hired as the director of IS at SegaSoft brought an unexpected challenge. Not only did he arrive amid the growing pains of a young company, but in September 1996 — after two weeks on the job — the CEO and CFO gave him the job of installing a new financial system by April 1, 1997.

"It was a situation where everything was in flux, a mad dash. But the mad-dash element was helpful. It created an environment for crisp, quick decisions,"

MENTOR'S CORNER

Brown says. "As a young company, we needed built-in maturity of process and scalability."

Founded as a joint venture of CSK Corp. and Sega of America, the U.S. subsidiary of \$4 billion Sega Enterprises, SegaSoft opened its doors in Redwood City, Calif., in February 1996 with 150 employees. SegaSoft builds games such as Obsidian, a surreal journey through a 3-D world, and is building an Internet-gaming network called Heat.net, due for release this fall.

SegaSoft had temporarily piggybacked its operations onto Sega's AS/400 system. But that system could not support SegaSoft's business model.

CHOOSE A PARTNER.

Brown's most important decision may have been the composition of a selection committee, which ultimately selected SegaSoft's technology partner. Brown was joined by the controller, responsible for financial operations, and the manager of network implementation, responsible for online services.

"My concern with [potential] technology partners is while making proposals before a committee, the partner who speaks the loudest and acts the boldest usually wins.

To avoid this, we ran all three partners, one at a time, before a broad audience," Brown says.

The committee invited proposals from Coopers & Lybrand, Andersen Consulting, and KPMG Peat Marwick. According to Brown, Andersen planned a software review while Coopers & Lybrand advised a very rigid implementation. Neither proposal suited SegaSoft's constantly evolving needs.

In November 1996, a steering committee chose KPMG Peat Marwick because of its rapid-implementation methodology, which promised on-time deployment of Oracle



IS DIRECTOR Peter Brown deployed Oracle financials to deliver mature work processes to a growing company.

ANNE HANESKY

general ledger, accounts receivable, accounts payable, fixed assets, order entry, inventory, work in process, bill of materials, and alert modules running on Sun hardware.

SegaSoft purchased a 25-seat Oracle license, which, according to Brown, will sustain growth for the next two years.

Brown predicts that the system infrastructure, which consists of about 45 Ultra servers from Sun, can support 50 users on the financial system without an upgrade. Other applications such as Oracle Supply Chain Management and Universal Server also use the

Sun hardware. Implementation began in December 1996 and cost about \$2 million.

The basic system was ready to go by April 1 — thanks in part to Sega's lack of existing applications and processes. However, when Sega wanted a GUI for the Oracle applications, things got touchy, Brown says.

At this critical junction, the selection committee's hiring of KPMG paid off enormously. KPMG personnel resolved the GUI issue through its close relationships with Oracle engineers. Five KPMG staff members, with as many as 10 people from Oracle and SegaSoft at times, saw the project through.

DAYS OF RECKONING. "April 1 brought some pain, which was to be expected. The issue was not the system, but the maturing of our organization," Brown says.

The April date presented three challenges to the new system: going live, closing a quarter, and starting a new fiscal year. A few tasks, such as processing orders taken from the Web, slipped the deadline. This was turned to benefit as Brown avoided deploying an application without understanding its requirements. Staff processed orders manually until the volume of purchase orders increased and a well-defined solution was created.

June 30, 1997, offered a test as SegaSoft successfully closed its first quarter on the system. One minor problem was the inability to print invoices. This required a manual search for, and repair of, broken lines of code.

"Looking back, I see that going with industry-proven technology helped us turn headaches to advantage," Brown says.