

The Innovation Quotient

Even in tough times, smart investments in telecom and network services pay big dividends by boosting corporate productivity.

At this time, when companies are cutting expenses and reducing capital costs, making the case for an investment in communications technology can be difficult. Yet a majority of IT and business managers believe that spending on voice, data, and network services in difficult times can help companies meet their business objectives and gain an edge for future competition.



A survey of senior-level executives and IT managers sponsored by Qwest Communications, a provider of voice, data, and network services to business, shows that both groups are strong believers that investments in communications technology can spur innovation and improve the services their companies provide. The survey was conducted for Qwest by *Fortune* Custom Publishing and IDG Research Services during a seven-day period ending May 6. Some 280 respondents completed the survey.

Almost 70% of executives and IT managers said they expected to improve efficiencies and reduce costs by investing in voice, data, and network services. Half said they expected that such investments would leave them

better prepared to compete when the economy recovered. And nearly half of the executives and managers said they could gain an advantage by investing while their competitors cut back.

In the current climate, it is not surprising that spending on new technologies has slowed. Seventy-three percent of IT managers and 62% of financial executives surveyed said that their organizations had slowed or delayed investments in voice, data, and network services. To gain approval, managers have to prove that any investment will show results in a fairly short time. In the survey, more than half of the respondents said they had realized productivity or cost savings in the first 12 months following an investment in these services. Less than a quarter of the business executives and fewer than 20% of IT executives said they expected no productivity gain or cost savings from such investments.

For most of the last two decades, bringing technology investments in line with business objectives has been a mantra of corporate management. In the survey, the senior-level executives and the IT managers were in close harmony when it came to listing their top three business challenges: lowering

expenses, maintaining or increasing top-line revenues, and increasing workforce productivity.

They even agreed on the areas in which they didn't consider their organizations highly effective in using new technologies. Only a quarter thought their companies "very good" at using new interactive methods of communications. Fewer than half considered themselves proficient in giving employees efficient access to information,

and barely a third said they were highly effective in developing new products and services to address changing business needs.

When Televerde, a Phoenix contact-center operator, decided to upgrade its communications technology last year, there was an unusual complication. Technicians from Qwest Communications, the telecom services provider, had to undergo background checks before they were allowed access to Televerde's equipment. The reason for the additional hurdle? Televerde's contact centers are located inside an Arizona women's prison.

The unusual requirement for Televerde's installation is the kind of glitch that makes senior managers sweat over new technology, although they firmly believe that voice, data, and networking technologies can increase productivity, cut costs, and lift the bottom line for their businesses.

Adopting Next-Generation Technology

Implementations often fail because companies choose the wrong technol-



Managers who invest in new technologies expect an ultimate payoff in higher productivity, better customer service, and increased profits.

ogy or don't prepare their employees for the changes that will occur, says Steve Hilton, vice president of enterprise and small business research at the Yankee Group, a Boston-based technology consulting firm. "Part of the implementation process has to include some plan for change management," he says. "Part of change management is training." Large companies are more likely to have formal training processes than small ones, says Hilton.

Hilton says large companies should carefully plan and manage technology projects. "It's important to have a formal project management process in place," he says. "There are a lot of moving parts in a big project." Qwest executive vice president Teresa A. Taylor agrees. She says the communications company depends heavily on project management to assure that technology implementations work. "We try to

spend time with the customer on what the new system is capable of doing and how it will work," says Taylor.

Qwest assigns a point person to work with the customer to manage through any difficulties and asks customers to designate an equivalent counterpart. In the not-uncommon situation where a company's IT staff and its line-of-business managers don't see eye to eye on a topic, Qwest steps in as a mediator. "We end up being the guidance counselor," says Taylor. "It's in our interest to make sure it all comes together."

Company culture can be one cause of snags when implementing technology. Is the technology right for the business, and will employees embrace it? That's not always obvious. Taylor describes a pharmaceutical chain that wanted Qwest to install an elaborate electronic system to manage prescriptions. During Qwest's routine assessment of the company's existing technology, a

A View from the Top A proprietary survey of top managers reveals attitudes about IT investing during the recession.

Top Three Challenges for Business	IT Execs	Business Execs
Lowering business expenses	69%	57%
Maintaining/increasing top line revenues	46%	43%
Increasing workforce productivity	42%	28%

Where organizations are highly effective	IT Execs	Business Execs
Leveraging technology for customer needs	35%	36%
Developing new products/services	35%	33%
Utilizing new/interactive communications	25%	28%

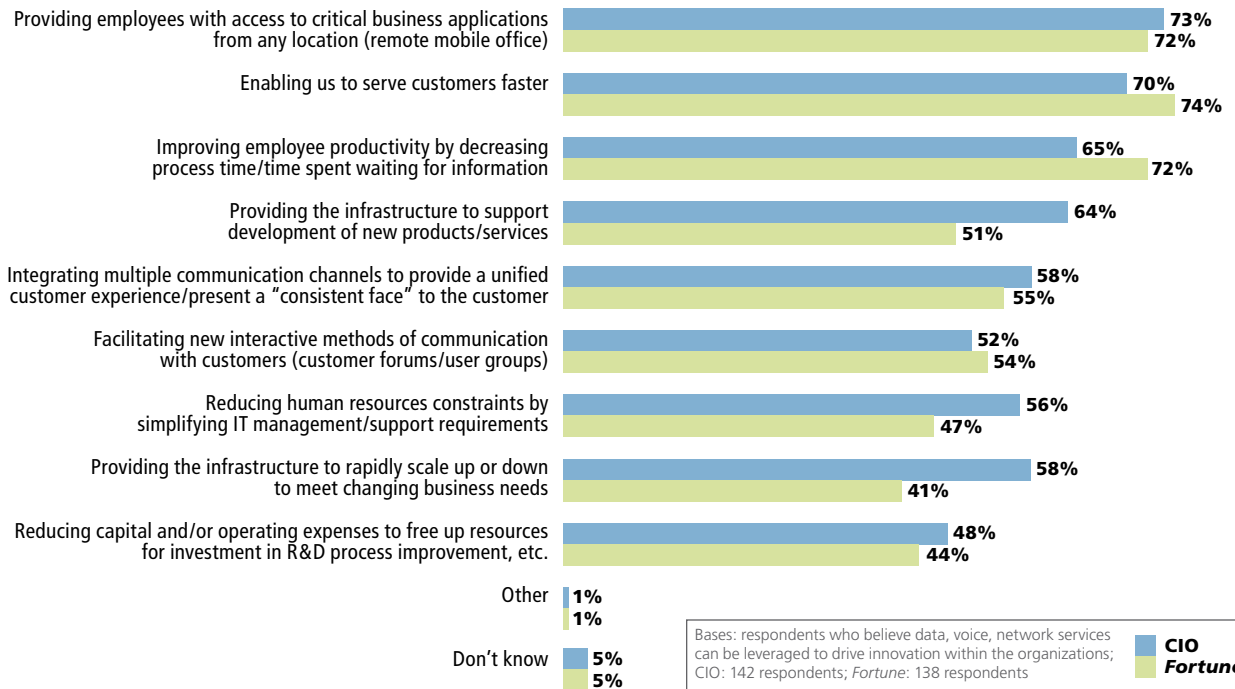
Can data, voice, and network services be leveraged to drive innovation?	Yes	87%	88%
	No	13%	12%

Source: Driving Innovation Through Telecom Investments Survey, IDG Research and Fortune Custom Projects



Catalysts for Creativity

Data, voice, and network services can drive innovation by ...



number of pharmacists declared bluntly that they had no interest in using anything more than a fax machine. "You're in a situation where someone at a corporate level decides to spend millions and the pharmacist says, 'I'm not touching that,'" says Taylor. The reason for the pushback: pharmacists wanted a hard copy of the prescription and the doctor's signature. Qwest told the client they would be wasting their money to put in the more elaborate technology. "I'd rather have that happen than have us put in all the technology that would never get used," she says.

While large companies can draw on the broad knowledge available in a sizeable technical staff, smaller companies with limited IT capabilities need to make sure they bring in the right expertise to install new technology, says Hilton. "On the small business side, I always recommend they need to engage a channel partner extremely experienced

in implementing that vendor solution."

Televerde asked Aaron Johnson, a senior telephony engineer, to work with Qwest when it decided to consolidate several disparate phone systems into a single, modern VoIP network provided by Qwest. The company's goal was to replace a legacy voice network that depended on expensive T1 lines and specialized telephony equipment. Televerde reduced 10 different phone systems to just two. The consolidated network enables Televerde to closely monitor service quality—and security, assuring, for example, that some 200 inmate employees, who make an average of 25,000 calls a day, don't use the system for unauthorized calls. To minimize disruptions, Johnson brought the system on line in stages. First, the company brought on VoIP outbound service in December of last year. After a two-week trial period, Televerde moved


all its services over to the Qwest system. "We had a chance to test it out, test the quality, and make sure everything was working correctly," says Johnson.

Televerde found savings by reducing maintenance time and hardware overhead. Johnson says, "We went from nine servers and eight telephony cards, at \$2,500 each, to three off-the shelf HP servers with nothing special about them." By reducing maintenance and worry about breakdowns, he says he is able to focus more on system improvements. Johnson estimates Televerde has cut its operating costs by around 50%, or more than \$100,000 a year, the kind of numbers that cost-conscious managers want to hear.

Staying Ahead of the Curve

Even in slow economic times, more than two-thirds of business managers and IT executives firmly believe that continued investment in technology will

pay important benefits. The challenge in the current climate is that they have to prove it. "IT budgets in general are starting to be given the same level of scrutiny as every other expense item," says John Greer, senior vice president for human resources and development at Smart Financial Credit Union in Houston. To gain support from management


Company culture can be one cause of snags when implementing technology. It is not always obvious what is the right fit for the business, or if employees will embrace it.

for spending on new technologies, says Greer, "You need to be able to show a positive return on your investment."

Providing hard projections of benefits from tech investments can be a challenge. "Unfortunately, on the IT side, that's not what people do for a living," says Greer. He suggests that tech managers recruit help both from financial people in their companies and vendors to develop the numbers they need.

Qwest's Taylor says her staff will help IT managers convince senior executives. On some projects, Qwest has developed brochures explaining a technology to senior management, and has even

helped IT managers prepare PowerPoint presentations. "Whatever it takes to bring the two sides together—we'll do it," she says.

There is a positive aspect to the greater scrutiny of technology implementations. In the past, says Greer, a lot of technology was installed without a thorough analysis of costs and benefits. "There are a lot of good systems out there whose value might not be maximized because that analysis wasn't done up front." The new attention to ROI raises expectations. "You need to show that this is going to make the company more efficient, reach customers better,

provide better service to customers, give the employees more tools to be more effective, etc.," says Greer. "You just can't say, 'I need this because everybody else is doing it.'"

The close scrutiny of tech budgets comes at a time when many companies see demand from both employees and customers for around-the-clock access to information from any location. Nearly six in 10 managers in the survey rated such capabilities an important advantage for their companies—and a reason to invest even in difficult economic times. Managers who invest in new technologies expect an ultimate payoff in higher productivity, better customer service, and increased profits. In the survey, 73% of respondents said that providing anytime/anywhere access to critical business applications was key to improving workforce productivity. And more than half said making such access to critical business applications would result in improved customer service.

Laurencio Ronquillo is Latin America marketing director for Minneapolis-

based Katun Corp., a global supplier of printer and copier products. He says new communications technology has made sharing information between far-flung geographic regions and across multiple time zones a lot easier. In the past, he says, employees in North and South America, Asia, and Europe depended on phone calls and e-mails to plan new products. "These products are so technical that everyone was missing digits and models and it was difficult." The company created a database accessible at all its locations. "Now information can be translated and disseminated around the world as we need it," says Ronquillo. "Absolutely, we can be more innovative." For companies battling through tough times, innovation can be the most valuable payoff from technology. ●

For more information on Qwest products and solutions, visit Qwest.com/business.

