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by Jim Ginsburgh and Eduardo Alvarez

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Reprint

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In the early 1980s, when the personal computer first landed on store shelves, a quiet rebellion took place in corporate America. At companies large and small, employees began to purchase PCs outside their IT department's purview. To the workers, the PC offered a means of doing their jobs better and becoming more productive. To business executives, the PC represented a blow against centralized control of information and software applications, manifested by massive mainframes and desktop dumb terminals.

Those days are mostly forgotten now. But IT departments are on the verge of repeating history. Indeed, IT managers, who felt the initial threat from PCs most keenly and led the charge against them, are now (perhaps unknowingly) standing in the way of what could be a second wave of consumerization in enterprise technology — and it's costing their companies dearly.

During the past five years or so, high-technology companies have shifted their emphasis toward consumers. As Intel Corporation Chief Executive Paul Otellini put it in late 2007, "Consumers today are the number one users of semiconductors; they surpassed IT and government in 2004. That's a big change; prior to that period, most people developing silicon in the industry were focused on the…enterprise and IT. Today, most of us are focused on consumers as drivers."

IT equipment has become commoditized and reliable, to the point that fixing a laptop is now as pain-free as taking it to the local Geek Squad, waiting for an hour, and then paying US$50 — a far cry from the drawn-out, expensive computer repairs done by the IT departments in most companies. And at no or relatively low cost, consumers can access online services including e-mail, instant messaging, desktop applications, document management, and file storage that equal or exceed most corporate equivalents.

To take advantage of this phenomenon, IT departments must begin to give corporate users access to the scale and innovation of the consumer market. Repairs can be made by Geek Squad or similar shops, device connections should be made through the Internet, the use of Web-based software should be encouraged, and employees should connect to a corporate network only to access data and applications that must remain inside a firm's firewall.

Most important, IT consumerization could release a lot of money from the IT budget. Because so few companies have adopted this approach, it's difficult to quantify precise savings. But, according to *CIO* magazine, semiconductor manufacturer Avago Technologies Ltd. recently adopted Internet-based Google Apps (Gmail, instant messaging, word processing, and spreadsheets, among other programs) for $50 per user per year and has trimmed its annual IT costs by $1.6 million.

But the appeal goes beyond cost. Consumerization opens up the organization to consumer-grade services that innovate at a much faster pace than the organization can. For example, in the consumer model, antivirus and software updates can be set up to install automatically and seamlessly, whereas in most companies upgrades can take weeks or months to complete. Or take Skype, the Web-based telecommunications service. Consumers love it and the price is right: Calls are generally free or cost just pennies per minute. For workers, Skype offers the ability to communicate inexpensively with colleagues, even through videoconferencing, from virtually anywhere; because Skype is carried via the Internet, it often works where cell phones don't. But despite its obvious advantages, corporate IT departments tend to prohibit Skype's use, claiming that it could weaken internal security protocols — a problem that could be alleviated easily by permitting its use only outside the firewall on laptops or iPhones, for example — or that it will be a broadband hog. Considering the low cost of new broadband circuits, that, too, is a specious complaint.

Other benefits of IT consumerization may become more obvious over time. Productivity could rise as workers become less tied to the office. It is easier for employees to work at home or to spend more time on the road trying to get new business, knowing that, because of consumerization, they can seek hardware and software help at any electronics store without breaking company rules. Moreover, consumerization offers a path to reducing a company's carbon footprint by encouraging telecommuting and Internet-based applications run by mega-scale server farms, which are in many cases powered by greener energy sources and are more energy efficient than hardware in corporate data centers.

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Clearly, IT consumerization is not for all firms, and even when it's a good fit for an organization, it is not for all employees. For example, highly regulated companies, such as financial-services firms that are legally bound to diligently maintain records of e-mail and instant messages, may be understandably hesitant to freely adopt Gmail, recognizing that this service will make it more difficult to log and store internal and external communications. Over time, however, that should become less of a concern as third-party e-mail services prove more than willing to add capabilities that match corporate needs.

In almost every company, the willingness and ability of employees to embrace new technological ideas can be broken down into a 20–60–20 formula. Twenty percent are eager to jump in immediately; 60 percent are on the fence at first, but are ready to take the plunge as soon as they see signs of its value; and the final 20 percent are Luddites. Segmenting the workforce to find those who can and will be early movers can help create a smooth path to achieving critical mass. In some cases, technology choices help. Apple computer home users are among the best zealots for IT consumerization; offer them an opportunity to connect their Macs to the company's network and you will have friends for life. In other cases, the first 20 percent may be workers who don't need the full suite of corporate applications.

Implementing IT consumerization is not a major technical challenge, but it does require organizational changes. One such change is the need to address, through staff education, both potential security lapses and the penalties for failing to adhere to the company's standards. A well-trained employee should be able to spot phishing or another type of cyber attack immediately and take the proper steps to report and eliminate it. Similarly, workers should be able to police themselves not to visit pornography or hate sites — and understand that they will be disciplined if they do not comply. Empowering workers, a concept at the heart of consumerization, leads to more secure and efficient operations.

Lined up squarely against consumerization are many IT departments and their existing outsourcing partners. Under increasing cost pressure, IT departments try to do more with less and default to managing only incremental change; in addition, they see consumerization as a threat to their core responsibilities and, perhaps, their jobs. For outsourcing partners, the perceived harm is even more threatening. For years, outsourcers have been able to use a "your mess for less" approach — that is, their clients retain the same untidy technology system they already have but it doesn't cost them as much to maintain it. Including outsourcing, more than 50 percent of the total expense of delivering technology to end-users in most companies is earmarked for labor. Consumerization is at odds with the notion of paying such high or fixed costs and, therefore, is perilous to outsourcers' revenues.

But defenders of the status quo may not hold the upper hand much longer. Indeed, the timing couldn't be better for consumerization. The global recession is forcing companies to cut costs in ways they didn't anticipate before the downturn, and IT is a major cost driver for most organizations. CIOs have struggled to manage demand for new internal hardware and applications — particularly because the requests are often driven by individual preferences. That frequently translates into development of "spot" or customized solutions, adding complexity each time the IT department needs to implement new functions in yet another business unit. And that, in turn, greatly increases the fixed costs for IT departments, diluting gains from scale as businesses grow.

Consumerization is certainly a disruptive force, following a path similar to that of the PC decades ago, when it began to enter companies without the approval or influence of the IT department. But today, corporate employees are already accessing enterprise applications and data from home PCs, laptops, and smartphones, linking into cloud applications such as Salesforce.com (a customer relations management program), Gmail, Linux productivity tools, and server and storage offers from Amazon .com. They may also be compromising the safety of their work PCs by linking these programs and sites to their desktops inside the firewall. In other words, IT's resistance is doing little to maintain its control.

The only way that organizations can get out of this vicious circle — of more bespoke IT driving higher costs with little productivity return and employees driving the technology agenda under the radar of IT departments — is to forge a completely new way of looking at how technology is delivered within organizations. Such a change would mean elevating the chief information officer to the role of company technology strategist and leveraging the innovation, pace, and scale of the consumer market. Many blueprints for turning flaccid IT departments into models of efficiency have been created — and then shelved. They failed primarily because they were driven from the top with little consideration for the preferences of employees using the machines. Consumerization of technology offers another chance to finally wrestle down a problem that began, it could be said, decades ago in a Silicon Valley garage.

Jim Ginsburgh
(jim@SimplyBetterIT.com), the former vice president of enterprise architecture at BP, is president of the IT consultancy Ginsburgh Consulting LLC.

Eduardo Alvarez
(eduardo.alvarez@booz.com) is a partner with Booz & Company based in Chicago, and is the head of the firm's North American IT practice.

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