

Challenging the Incident Management Culture



Case Study: Financial Services — reducing the cost of IT from \$750M to \$160M and regaining market position from 9th in Market back to 1st by paying attention to finding and solving the root causes of IT problems.

Ever since the beginning of time the human race has had to adapt to change

Change is constant. And yet, behavioral scientists have recognized for years that humans fundamentally dislike change. We are creatures of habit.

Over the past 30 years or so, Companies have become ever more reliant on increasingly complex IT systems to support their business. Indeed, for some organizations IT has become 'the business' as Boards lose touch with their original strategic goals. All major companies now rely on excellent Incident Management Processes

to guarantee service availability of critical systems. However, as the pace of change accelerates, the ability to maintain organization and service level agreements becomes increasingly difficult. Knowledge

Management systems become obsolete as support staff simply do not have the time to keep them up to date. The confluence of these events inevitably leads to an increase in the number of Incidents and with it the cost of service management.

A colleague recently wrote a paper on 'Organizational DNA' published in Strategy Magazine, the Journal of the Strategic Planning Society. In it he explores the idea that "the essential shape, nature and capabilities of organizations are dictated by organizational DNA and as a consequence, there are implicit constraints on the competitive positions that can be taken and on the degree to which organizations can realistically change." In other words, as much as the Board may recognise the need to change an organization's culture to survive, altering the very essence of that organization is a herculean challenge.



This challenge permeates throughout the business. Whilst the CIO may recognise the need to divert more resources to finding root cause in an attempt to stop problems at source, in practice, IT functions often find it difficult to change from an Incident Management culture to one of Problem Management.

Usually it will take an extraordinary event to 'shock' the organization into breaking this cycle — to change its approach from one of constant fire-fighting to fire prevention as the following case study illustrates.

A major organization operating in the Finance Sector had been the industry leader for years. The organization had ten people dedicated to incident management to protect systems' availability. As its systems became increasingly complex, the number of Incidents began to accelerate to a point where there were on average 50 high severity incidents per year — each with a potential exposure of >\$2m! The business began to lose its market position — sliding from 1st to 9th — and with it revenues began to fall — eventually to 88% of plan. The business began accusing IT of "Corporate Destruction" adding "You're very good at IM, but then again you should be...you get enough practice at it!" The threat of large-scale outsourcing of IT operations was imminent.

Something had to change. A Pareto analysis of Incidents confirmed what many already knew — a huge quantity of Incident Management resources were being consumed by a small number of Major Incidents, many of which were repeat problems. Further data analysis revealed the following:

Total number of incidents per annum	2,500
Number of major incidents (Potential impact > \$2m)	50
Number of Incident Managers (FTE)	9.5
Number of Problem Managers (FTE)	0.5
Total number of IT staff	2,300
Cost of IT	\$750m

The CIO had some tough decisions to make and within 2 years the position had changed to:

Total number of incidents per annum	1,100
Number of major incidents (Potential impact > \$2m)	5
Number of Incident Managers (FTE)	1
Number of Problem Managers (FTE)	9
Total number of IT staff	1,050
Cost of IT	\$160m

Furthermore, the business achieved 124% of plan and had regained its number one position in the market. Instead of being regarded as a hindrance to success, the IT department was now being praised for assisting corporate growth and any thought of outsourcing had evaporated.

How was this remarkable transformation achieved? One of the most significant changes was to implement formal and structured Problem Management processes and make senior management accountable for success. Resources were immediately diverted to preventing repeat problems. Customer Support staff were trained in Kepner-Tregoe's world class Problem Solving skills and success criteria were aligned to business matrix to ensure recognition was given to engineers who demonstrated good root cause analysis. In short the organization culture changed from being reactive to proactive.

Following on from this success the Board's next target for the CIO was to reduce the number of Major incidents to zero! This, of course is impossible — and Incident Management will always be necessary to handle life's unforeseen problems. However the lesson to learn is that whilst IM might seem to be the best way to approach our ever changing environment, by getting ahead of the curve — preventing problems at source by implementing effective Problem Management — and hence freeing up significant resources, organizations can be confident in addressing and even embracing change to gain maximum competitive advantage.



About Kepner-Tregoe

Kepner-Tregoe is the leader in problem-solving. For over six decades, Kepner-Tregoe has helped thousands of organizations worldwide solve millions of problems through more effective root cause analysis and decision-making skills. Kepner-Tregoe partners with organizations to significantly reduce cost and improve operational performance through problem-solving training, technology and consulting services.