

You Gotta Be Quik!

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If you ask an economist what you should do in a changing business environment, you'll likely hear, "It depends." And if you ask a business strategist what the head of an IT organization should do to lead an emerging enterprise to rapid growth, you'll probably get the same answer: "It depends."

Basically, it boils down to three elements: people, processes, and technologies. As CIO, you must first determine that all your employees have the strengths necessary to succeed in their roles. Next, you need to ensure that your processes are effective. Then, and only then, should you take a hard look at technology, ideally finding areas where you can achieve immediate gains in order to pave the way for further IT investment.

I learned all this firsthand at Quiksilver Inc., a company that designs, produces, and distributes clothing and accessories for young-minded people. Our brands, which include Quiksilver, Raisins, and Roxy, represent a casual lifestyle. We distribute our products to stores worldwide, ranging from department stores and eclectic surf shops to more than 200 outlets of our own.

Quiksilver is a company that's hard to categorize. It's always fun to watch the big technology companies trying to pigeonhole us into one of their industry verticals. "Retail?" Well, kind of, but we also design, merchandise, and distribute apparel. "Oh, then you're in wholesale?" Well, yes, but we do have that retail arm as well.

In fact, there's really nothing standard about the apparel industry, given how fragmented it is. And because it's so fragmented, small players have relatively easy entry.

Such an industry is fertile ground for a company like ours. We fall squarely into the rapid-growth category, with 2005 sales of \$1.8 billion, a 40% jump from the prior year. Similarly, our net income last year rose by more than 31% from 2004, and our workforce expanded by 28%. We now have more than 4,000 employees.

Quiksilver's rise is largely a tribute to the bold IT initiative the company launched in late 1999 to improve its distribution operations. At the time, executives faced a dilemma. On the one hand, they understood that without technology improvements, their ambitious growth plans would be in serious jeopardy. On the other hand, they were skittish about making heavy tech investments, recalling how some past IT projects had failed.

I understood their ambivalence. In a prior position, I was in charge of computer services for a company that started humbly in a garage. Its owner, a former model on the old Queen for a Day TV show, was impressed with a knitting machine she had given away to a contestant. In a company like that, you can expect technology to take a backseat when it comes to spending money. But it's not so different in any company that seeks accelerated growth. Unless the business' core product or service depends on effective use of technology—think eBay or FedEx—mergers, acquisitions, and the integration of organizations get the lion's share of the funding.

In any case, you're not ready to buy new technology until you've laid the proper foundation. Staffing is the place to start.

In an emerging company, the maturity level of employees may be all over the map. The management team may consist of young company founders who are learning as they go, or it could be stacked with industry veterans who have been through the drill before. The business-unit leaders will also have varying degrees of maturity. The IT team may well be the weakest link of all, given that IT is traditionally underfunded in growing companies that, by nature, spend as little as possible while working to boost revenue.

You need to understand your own department—including whether it's organized correctly—and determine where weaknesses exist, who shows strength, and whether that strength is properly applied. Back in 1999, Quiksilver recognized it needed more IT help. So it brought in some free agents from outside the company—myself included—to strengthen the management team and fill the corporate ranks. I came aboard as a supply-chain guru, and became head of IT about six months later.

IT already had lots of programmers, but we added business analysts and relationship managers to give the department more process experience. The company also brought new folks into distribution and finance. We're now looking at the total organization to determine what other experience bases to supplement.

Once we had adequate staffing, we examined our processes. There's an old adage, "If you have good people but poor processes, you're doomed to fail." That certainly holds true when applying technology.

Imagine that company A develops a Web site to communicate with its vendors, with an innovative feature that lets authorized users annotate documents and drawings with comments. Company B, an authorized vendor, downloads one of the drawings, prints it, and makes written annotations on the hard copy. Company B then faxes the hard copy back to company A, thereby circumventing the innovative technology that company A went to the trouble and expense of implementing. Company A had a good idea, but didn't effectively communicate to its vendors how or when to use it. That's an example of a breakdown in process.

You also must keep in mind that technology is no longer stable. I suspect very few folks reading this have heard of Herman Hollerith, but a technology he invented—the computer punch card—

was the fundamental input to computers for roughly 70 years. The company he founded eventually merged with another to form what's now IBM.

Technology doesn't survive unchanged for that long anymore. Two years ago, iSCSI was barely on IBM's Total Storage Technology five-year road map. Today, however, I suspect that it ranks among the company's top three initiatives. When I was in the computer business more than 20 years ago, we were proud to have cut our hardware-development time from eight years to four. That was before we understood Moore's Law, which calls for half the footprint and twice the power every 18 months.

The point here is twofold. First, don't get too hung up on the latest and greatest technology, because it's going to change. Second, make sure you understand the fundamentals of technology—namely, input/output, processing, and storage as they comprise the essence of your infrastructure. Whether you're building a cottage or a mansion, you need a solid foundation. You can build anything if you keep those fundamentals in mind.

When Quiksilver's management team started to look at processes within the company, it found that a lot of emphasis had been placed on individual productivity. Although that's a worthy approach, it doesn't always optimize the system as a whole. Applying **Eli Goldratt's well-known theory of constraints**, which looks at an entire system to identify its weakest links, we optimized the processes between departments, then evaluated the most constraining processes within each department. Although we boosted output as a result, it was still clear that technology would be helpful in some areas, such as the distribution process.

The simple act of producing paper-based picking tickets for the distribution center, along with the sorting and assignment of orders, was becoming overwhelming. If the company hadn't grown, this wouldn't have been a problem, but when you start to put out 5,000 pieces of paper a day, stations become piled up with order tickets.

For any given organization, the evolution of IT systems comes down to four approaches, which can be combined in any fashion:

- Commercial off-the-shelf (COTS) products.
- Application service providers (ASP).
- Big-bang enterprise resource management (ERM) from, say, JD Edwards, Oracle, or SAP.
- In-house development.

COTS is often referred to as either best-of-breed or bleeding-edge. The available solutions really depend on the industry you're in, as well as the maturity of your IT organization. COTS can give you quick wins if you find solutions that neatly match your business processes. The downside is that it's hard to make these disparate solutions speak one truth. But with the advent of Web services and underlying data buses—platforms such as Tibco and webMethods—the best-of-breed option is more viable than ever.

The ASP model is well-suited to high-growth companies, especially as they deal with HR issues and simply getting people paid. But make sure you fully understand your business requirements before embarking on a full-scale ASP approach.

ERM generally starts with financial models of how the business should work and move into operational areas.

Before you decide on a technology path, get management buy-in. Thankfully, the IT team at Quiksilver had that once management examined the distribution process and realized there was an opportunity to improve it.

For many emerging companies, however, getting buy-in can be a significant hurdle. It's something of a Catch-22: You want to show results from IT, but have little money to implement projects that are likely to show a positive return.

The key to solving that problem is marketing. You need to get quick wins to show that technology can play a role—possibly a leading one—in how the business is run.

Unless you work in an industry such as financial services, where technology naturally takes a front seat, marketing these quick wins is paramount.

When I first arrived at Quiksilver, the company's warehouse-management system was in a lot of pain. Because my team and I were successful beyond our dreams in fixing that system, we were able to show the business folks that IT was a growth center.

Let me offer another example of IT as a catalyst for growth. To plan our T-shirt ordering and shipping, which amounts to about 15 million T-shirts a year, we used to produce 600 to 650 three- to four-page spreadsheets to track the process. If customers wanted to change their order, we'd have to tell them to come back in two weeks while we again crunched the numbers.

After converting to i2 Technologies' Factory Planner, however, we could respond to new requests in about 45 minutes. In addition, we could refresh the order inventory twice a week. At this point, Quiksilver had a reinforced management team, documented processes that were challenged and reviewed, and incentives for change—all of which greatly mitigates the risks associated with any system implementation.

The moral of the story is that it takes a strong and mature organization, with effective processes.

To promote rapid company growth, CIOs must leverage people, processes, and technologies—something easier said than done. But don't despair: Take it one step at a time. Here's a plan to get started.

Month 1 > Assess skills

- Determine the relevant skill sets and consider whether any of them will need to be augmented. This may take some tough introspection: For example, how strong is the management team's leadership in IT?
- More than anything, make sure your team is properly balanced. At Quiksilver, we had to migrate our IT department from one that was focused on pure technology, as well as consider hiring more business analysts, which we did. At smaller companies, programmers are often in charge of operations—but as talented as they are at what they do, few of them have the skills to truly understand business functions and needs.
- If you make these changes, you're positioning the company for growth by adding structure and discipline.

Month 2 > Assess your company's functional organizations

- Rank each group by its strengths and weaknesses, and work closely with the management team in the functional areas to have frank and directed discussions about the maturity level and potential impact that group will have on system implementations.
- Bear in mind that this isn't always going to be an easy conversation to have, especially at a smaller company. If you don't get cooperation at the department level, go to senior management and identify those departments that are IT/business advocates. More formal discussions can be timed to the budgeting cycle, and you can determine then where you can fit in new projects that arise from those talks.
- Assemble a plan that maximizes the return on system implementations and correlates to the maturity levels of the functional organizations.

Month 3 > Measure ROI

- Map out your own ROI metrics to see if your process changes are having an impact, and to ensure you're maximizing your existing IT investments.
- At Quiksilver, there are four ROI metrics we trust: increased market share; reduced head count from automation; increased inventory turns; and keeping ourselves out of jail!

and procedures, to mitigate the risks associated with technology change—especially when business growth is high on the agenda. O

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