

**INFORMATION SYSTEMS
STRATEGIC ASSESSMENT**
for
AMERICAN MEDICAL LABORATORIES

SYNOPSIS
March 10, 1989

OBJECTIVES

- Determine Executive Management's expectations for Strategic/Tactical objectives of the systems function
- Examine current system organization's structure, capabilities, processes and technology strategy
- Recommend changes in strategy, organization and process which will increase effectiveness of the systems function in meeting AML's short-term and long-term needs

APPROACH

- Interview AML Executive Management
- Interview ISD Management
- Review Internal AML Documents
- Develop/Present analysis and Recommendations

CONCLUSIONS

- **I.S. organization is basically in sound shape**
 - competent management/staff, many with long experience at AML
 - exceptional focus on quality and teamwork
 - deficiencies generally well understood and realistically addressed via
 - . Corrective Action Plans (CAPs)
 - . other projects/plans
- **Major I.S. problems are a reflection of broader Corporate problems**
 - lack of a business process model
 - inadequate strategic plan/vision
 - inadequate financial systems/processes
 - . operational planning/budgeting
 - . cost accounting and chargeback
 - . capital allocation/project prioritization
 - . management reporting (MIS)



CORPORATE MANAGEMENT ISSUES RELATING to the I.S. FUNCTION

Information Systems are a key strategic/competitive resource for AML.

- *Internally*, laboratory management systems provide "mission critical" support to the business, while complex administrative systems are required for billing, cost accounting, inventory management, etc.
- *Externally*, a standard systems environment provides clients with a "single image" at multiple locations, reinforcing the AML reputation for a single high standard of quality and service. New systems could also provide additional value added for both clients and AML through features such as expanded client/patient historical data

While this is recognized in theory, it has not been recognized in corporate practice.

- ISD has operated in a *reactive*, rather than a *proactive* mode
 - all projects and expenditures have required separate approval by EMC
 - priorities have been set on an *ad hoc* and continuously changing basis
- ISD does not have authority to develop/implement long term plans
- ISD does not have authority to make significant short term investments
- Users often fail to take an active part in the systems development process
- Users often do not understand/accept charges for systems investments

In short, ISD has not been run as a business and many systems decisions have been made without proper user involvement.

STRATEGIC SYSTEMS-RELATED ISSUES

- On the *technology* side, **business applications must be shifted off the Tandem onto more suitable computers**, using packaged software wherever possible. The selection and integration of new packages and computers is a major challenge.
- On the *business* side, **AML needs to develop a strategic approach to acquisitions and decentralized systems**. While effective procedures were developed to manage a recent acquisition, there are no established criteria for evaluating the operations and systems changes required in potential acquisitions.
- In order for technology to provide optimum support of AML's business strategy, **several business policy guidelines must be established:**
 - > **develop and follow basic strategies for both business and technology**
 - > **do not attempt to make case-by-case marginal analysis of either technology or business issues -- look only for "show stoppers"**
 - > **strongly recommend planned migration to a standard AML system for all acquisitions/remote sites**



REVIEW of STRATEGIC PLANNING PROCESS/DOCUMENTS

- **Several years reviewed**, starting from 1983; review based on:
 - documents in ISD files
 - comments of ISD staff
- **Most planning sessions viewed by INPUT as inadequate**
 - same deficiencies noted by most of EMC
 - lack of I.S. component to strategies
 - top level mission/objectives good, but not related to strategy
- **Best process was early (1983) "brainstorming" session**
 - developed good material
 - encouraged management consensus
 - results of process never formalized and incorporated into a plan
- **No evidence of other comprehensive planning sessions**
 - all subsequent sessions were apparently reviews/presentations
 - no "brainstorming" or other team/consensus-building activities
 - no commitment to plans -- just financial projections
- **Current approach to planning is more tactical than strategic**
 - good short term analysis of strengths/weaknesses
 - "gut level" consensus tabulation on specific remedial projects
 - little relation of priorities even to tactical goals
 - projects categorized under goals, but little apparent relationship to goals
 - no statement of what project will do to advance goals
 - no statement of where AML will be (what is left to do) vs. goal after project is completed
- **Major area of weakness/disagreement is acquisitions policy**
- **Second major problem is staff understanding of corporate goals/strategies**
 - not effectively communicated by EMC
 - understood primarily through osmosis or rumor
- **Third major problem is I.S. strategies not being integral to business strategies**
 - business strategies do not seem to take I.S. capabilities into account
 - plans do not support effective *management* of the I.S. function (planning/budgeting/priority setting, etc.)
 - no explicit, overall I.S. plan to support corporate plan
- **Current I.S. plans focus primarily on current applications**
 - shift business functions from Tandem to appropriate hardware
 - use standard packages for standard functions
 - build network and support capabilities
 - > necessary interim step to stabilize operations
- **Key source of these weaknesses is lack of a business process model**
 - > sample outline of a business process model is included in the main report

RECOMMENDATIONS

- **Run ISD as a business** (see INPUT's "Chargeback Systems" report)
 - clear, measurable objectives
 - long term capital/investment planning
 - accounting processes that recognizes/amortizes capital investments
 - authority for the I.S. manager to acquire/control necessary resources
 - contractual relationship between I.S. and its customers
 - appropriate process for chargeback (user-oriented billing system)
 - managerial accounting system for internal controls

- **Address corporate planning/process issues**
 - implement above management approach throughout organization
 - develop business/process model
 - refine business planning process
 - educate and drive users to become active participants in systems activities

