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

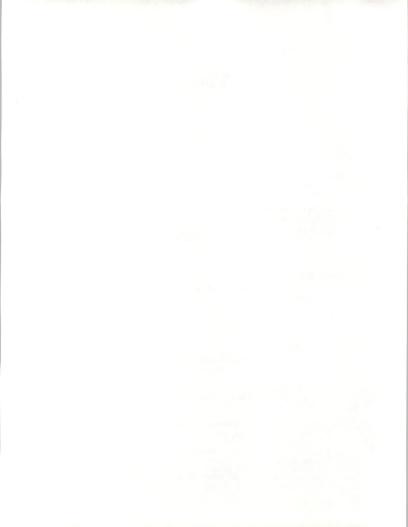
APPROACH

- Interview AML Executive Management
- Interview ISD Management
- Review Internal AMI, 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 interration 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 committment 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

