More OSS Projects in the Pipeline?
Service providers must find real value for money this time.

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First some good news: market experts predict an increase in spending on telecom OSS applications and implementation. The prediction is probably well-founded because service providers definitely need step improvements in productivity to survive in a world of commodity communications. Now a less optimistic thought: what if the next round of spending delivers results no better than before?

Telecom OSS spending will increase significantly over the next five years. So say at least three market research firms in recent reports. Each suggests that service providers must gain dramatic improvements in productivity, cost reduction and generation of new revenues to survive, and that it will be investments in OSS that support these mission critical improvements.

- IDC expects packaged software support and implementation spending worldwide will grow from $43.6 billion in 2001 to $82.3 billion in 2006; systems integration from $71 billion to $115 billion; custom application development from $18.2 billion to $24.7 billion.

- Gartner expects U.S. product support services in hardware and software to grow at 7.7% CAGR to reach $23 billion by 2005.

- Insight expects 2002 OSS investment of $40 billion to grow at a compounded rate of nearly 12% over the next five years.

I believe these predictions are well-founded. Service providers definitely need step improvements in productivity to survive in a world of commodity communications, and intelligent and effective process automation has to be one important way of achieving the lean and customer-responsive profile they need.

But… before we run off and celebrate this upsurge in investment, let's have a reality check.

On more than one previous occasion in this series of *Inside Out* articles, I have expressed the opinion that, in general, competitive telecom service providers have had something of a raw deal from the operations support systems industry – application vendors, implementers and systems integrators. There have simply been too many examples of projects running way beyond the target date, with final costs running several times higher than budgeted. And where even once completed, the "support" systems do not provide the support that the service provider expected. In some cases, service providers claim the deficiencies have

had an appreciable adverse impact on their ability to generate revenue, manage costs and grow the business.

Naturally, my friends in the telecom OSS industry sometimes feel that service providers exaggerate the problems. And they feel that the service providers expect too much magic, with too little of their own participation.

An article in the July edition of *Optimize* (an Information Week magazine) puts the challenge of getting value from IT expenditure in perspective: "$145 billion in cold, hard U.S. currency was wasted last year on failed IT projects". In other words, low standards are normal in the IT business – it's not just the telecom industry that's in bad shape. (That's a relief.) Another article in the same issue provides an update on the Standish Group's annual survey of IT projects – results have slipped even further in 2001, with only 9% of projects meeting time, budget and performance expectations. Ouch! Fully 29% of projects were complete failures. Ouch again!

Reasons for these failures are well documented, and disappointingly, have not changed much over the past 20 years: on one hand we have the companies who buy this stuff who fail to define their requirements clearly, adopt a lightweight approach to selection of applications, and prove unable to effectively manage their suppliers. On the other hand we have the suppliers – the vendors and SIs – who take full advantage of the lack of experience of their customers, offering to take on responsibilities that must be managed by customers, and by implementing products that are just not a good fit. Suppliers keep sending in bills while their teams fail to deliver, and customers keep paying them because they don't monitor progress well enough to see the project de-railing. Or perhaps they feel they have nowhere else to go.

Of course there are exceptions to this bleak picture. Some customers know how to specify and procure IT projects; some vendors work hard to ensure that implementations go really smoothly. But on the whole, with success rates running at only 9%, it is clearly not a straightforward equation that more spending on OSS equals improved business performance.

Here are just a few examples from the last couple of years, of dismally unsuccessful projects in the telecom space. To protect the unfortunate, names have been omitted. But these are real cases.

- A service provider buys application licenses for less than $5 million, then finds it takes almost $50 million to get the applications in and working. And even then, the integration is not complete. This should have been an "off the shelf" integration, since it used a common combination of market-leading applications.

- A company planning to go into the local access market buys a billing system. Unfortunately the billing system chosen only handles long distance and not local service. The vendor offers to make the necessary update (in other words to effectively develop new functionality). Many months after the original planned launch date, and after an unrevealed budget overrun, the system works, after a fashion.

- A company on a tight budget orders a new system for order management. The SI fees eventually amount to more than twice the original quote, and the "solution" works so badly it has to be removed. The company has to revert to the old system with manual workarounds. In the meantime, unhappy customers go elsewhere.

- A network hardware vendor sells a bundled project of network and systems, relying on third party partners to implement many components. The multiple project managers fail to create an overall program plan they can all work towards, the customer abdicates control to their prime vendor, and the project ends up well over budget.

How do we move forward? At one telecom trade event after another, we look for signs of some big step-change forward. NGOSS offers the possibility of a more modular approach to applications in a structured environment: done properly, it could reduce implementation risks, and slash integration costs. Progress towards an NGOSS world is painfully slow. Lots of people talk about XML and SOAP and how they can reduce implementation time and increase the flexibility of architectures. Yes, but where are the applications? All the signs are that if a service provider buys applications now, the problems of application "brochure gaps", implementation delays, and integration deficiencies will still be around.

There is no point in telecom service providers spending even more money unless real gains in productivity or in revenue-generating capability are going to follow. The industry simply cannot afford to waste investors' money on another string of expensive and unsuccessful projects.

To restore some confidence in the industry, the predicted increase in spending must deliver results. Here are my opinionated suggestions to at least mitigate the damage:

- Service providers must realize that projects must be planned and managed by good people firmly focused on their business goals, and with no conflict of interest. Experience shows it doesn't make sense to allow suppliers to set their own rules, and be the referee too.

- Application vendors must be straight about the "brochure gap". If an advertised feature can only be made available through a custom development

project – at extra cost and delay – they should say so. Failure to do this just diminishes their credibility with other potential customers.

- Systems integrators should field teams of people who have actually done similar integration projects before – successfully. Customers should never be charged for people who are only there to learn on the job. In this market, there are plenty of good, experienced people available. Smaller teams of people, each with direct relevant experience, can get much more done than large teams of inexperienced people.

Albert Einstein is credited with defining insanity as doing the same thing over and over again and expecting different results. Dispassionate observers must wonder why some management teams spent huge amounts of investors' money on IT projects with little or no discernable benefit. And now, according to the experts, they are about to do it again. If after this next round the results are the same, shareholders would be well advised to remember Einstein's definition.

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