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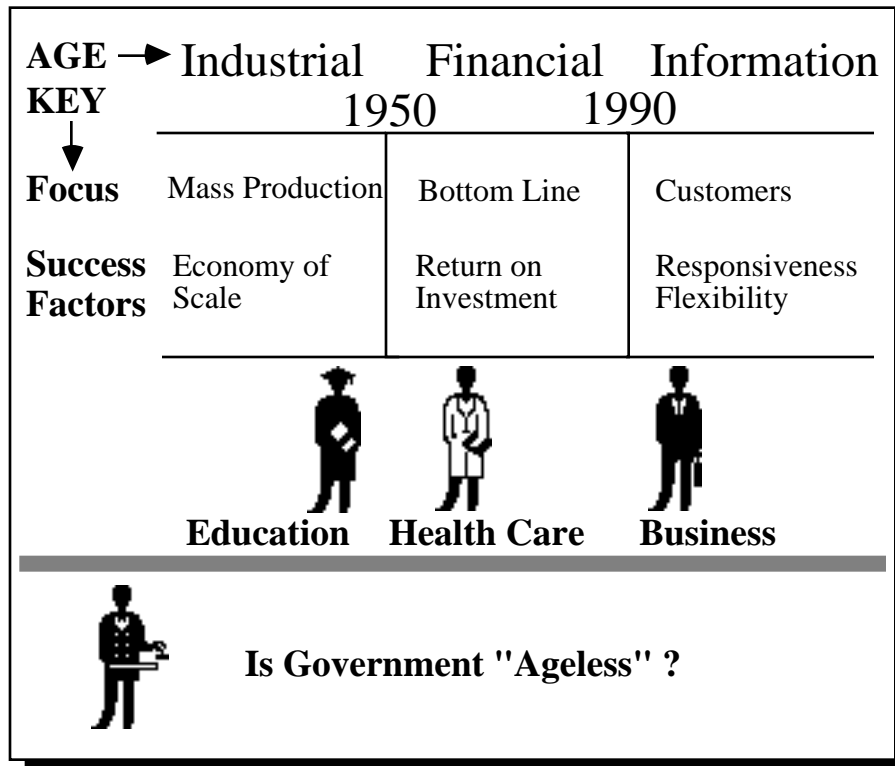
### *Good News, Bad News*

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At this point, it is worth reflecting on what brought business and industry into the Information Age in the first place. Was it all the technology that they have been adopting? Not exactly. In retrospect, the move to automate and computerize turned out in most cases to be reactive rather than proactive. This was especially evident in the considerable languish in rethinking work processes. What drove every competitor in the same direction was the liberation of the mass market. With ever-improving access to information and distribution channels, customers are essentially upping the ante in the form of more sophisticated demands and critical judgment of value added. To prosper, businesses must first redirect their focus on the customers and be responsive and flexible to their needs. This commitment is crucial to the effective move away from a bottom-line orientation and top-down managerial control, to an emphasis on empowered workgroups. Employees involved in the latter should be fully aware of how things get done. The answer to the question of why something is done in a certain way must be in terms of how value is added, and not because it has always been done that way. In this view, work processes can be under constant evaluation and reengineered as necessary. Being aware of how information technology can facilitate such work processes, B.I.O. savvy workgroups are capable of seizing the moment to realize improvement in business operations with appropriate technology. Their ability to do so continually as new opportunities for such match-ups arise puts their enterprise on a path of B.I.O. Rhythm. This is our scenario for business to

prosper in the Information Age. That is the good news. The bad news is that we cannot yet extend our principle to cover the other major issues in modern society: government, health care, and education. Here, appearance can be most deceptive. After all, we do see massive evidence of

**Figure 12.1 Where We Stand**



the introduction of IT into what we shall refer to as the “Big Three” sectors of the economy. So why can they not follow the same path of B.I.O. Rhythm as business does? Simply put, none of the “Big Three” sectors has really entered the Information Age. Shocking as it may sound, the reason is quite obvious. There has never been the same concept of the customer as in business. It seems unnecessary somehow. While our automakers, steel mills, and gar-

ment factories were scrambling to satisfy their customers or risk losing their business to the Asians or the Europeans, the “Big Three” sectors have rather captive audiences. Apart from not having foreign competition, these sectors do not even have real threats from domestic competitors. Sure enough, people may have the nominal freedom to switch schools, pick hospitals, and vote public administrations in and out of office. In reality, they are locked in by invisible yet impregnable confines of bureaucratic dogma. Let us see where we stand in each of these sectors.

### WHY JOHNNY CAN'T

The educational system that we adapted from the Old World worked remarkably well for the Industrial Age. Unfortunately, that is where it has remained, as illustrated in Figure 12.1, in spite of relentless changes in every aspect of its environment. The public schools today were founded on a century-old assumption that government should provide a standard education for all children. This approach was well suited to the key focus of mass production and the critical success factor of economy of scale. Learning by memorizing and regurgitating information was adequate for the needs of workers of the early assembly lines. As society's need shifted to knowledge workers and problem solvers capable of managing dynamic change, the shortfall of our educational system became all the more apparent. Indictments by vocal critics might have raised public awareness just enough to garner support for meager attempts at quick-fixes. Examples are campaigns to close the gaps in test scores by our students and their international counterparts. However, as long as government is both the producer of service and arbiter of whether the

consumer's interest has been served, there can be no market mechanism and no customer to speak of. Two commonly used arguments against letting parents have a free-market choice of schooling for their children are: i) they would not know how to choose; and ii) they should not be burdened with the choice, especially for disadvantaged families already preoccupied with other problems. Can this be the Information Age? Higher education is not faring that much better, with serious questions being raised regarding its relevance and accountability. In any case, there is no need to get too involved here in the ongoing political and ideological debate on this subject. The point is that without a customer focus, measurements of improvement can become dubious. Imagine the following breakthrough: "New breed of horses can double efficiency of pony express." This might have meant something for customers of the service in the late 1800s, but definitely not for users of the information superhighway. For this reason, we have to be careful evaluating any apparent pursuit of B.I.O. Rhythm in the absence of a customer focus. Is all the technology going into dressing up the same old ways of doing things? In the case of education, high-tech classrooms, for example, do not necessarily translate into improved learning and better-prepared students who can prosper in the future.

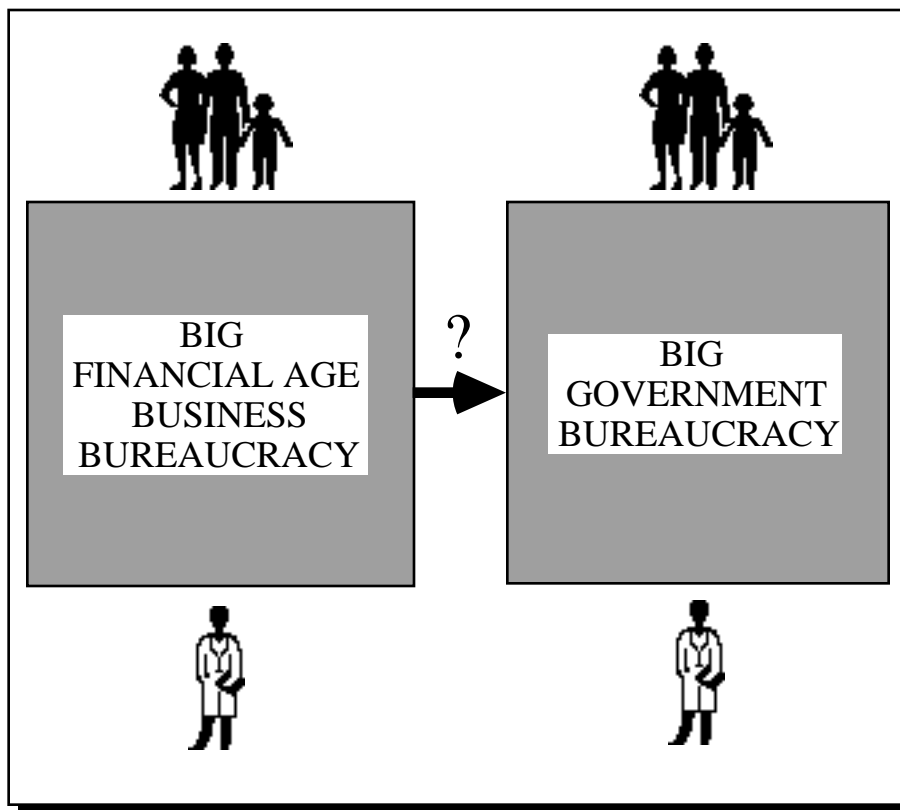
### THE CARE IN HEALTH CARE

Health care presents a somewhat different enigma. It started out with a customer focus in the days when family doctors delivered newborns, watched them grow up, and continued to help them stay healthy. Doctors knew their patients, personally and medically. They understood individual needs and exercised their own judgment to best meet

those needs. In return, they had the trust of the patients who were well aware of their own mortality and quite content with the guidance on the journey with an inevitable end. With advances in modern medicine, the focus has shifted dramatically from the customer to the products. Boasting a seemingly endless list of medical procedures, many no less than true miracles, the health-care industry is out peddling its wares instead of care. Of course, like any other sophisticated and valuable products, advanced medical procedures are costly to develop and to deliver. There is then little surprise that health care actually finds itself smack in the middle of the Financial Age. There, the key focus is the bottom line and the critical success factor is return on investment, as indicated in Figure 12.1. The only way to sustain expensive medicine is to do more of it. The way to do more is to convince customers that they need it. This was exactly how businesses pushed their products in the 1980s and created the wave of conspicuous consumption. When the choice involves life and death, it is not difficult to be persuasive. Another outcome of this development is the need for specialization. The general practitioner (the closest remnant of the family doctor) provides little more than a referral service to the specialists. In the process, no one really gets to know the customer. So much for the customer focus. If this is not enough to take the care out of health care, the insurance industry has most certainly finished the job. By buffering its big business self between the medical professions and consumers, it has added layers of bureaucracy and management by the numbers. Its bottom-line focus naturally chooses to provide coverage only for those consumers that can maximize its return on investment. All together, the insurance-medical complex has escalated the nation's health-care costs to 14% of GDP by

1992, while leaving some 37 million Americans without any medical insurance coverage. Since health care is not exposed to the same kind of market forces that drove other businesses into the Information Age, it can only compound the problems if left to its own device.

**Figure 12.2 Health-Care Reform: the Debate**



President Bill Clinton’s administration, in a monumental effort spearheaded by First Lady Hillary Rodham Clinton, has proposed its plan for health-care reform in 1993. One of its slogans is “putting people first,” a reprise of the theme of the 1992 presidential campaign. Critics and skeptics alike are equating the plan to the substitution of “Big Government” for “Big Business.” If that is the case, it

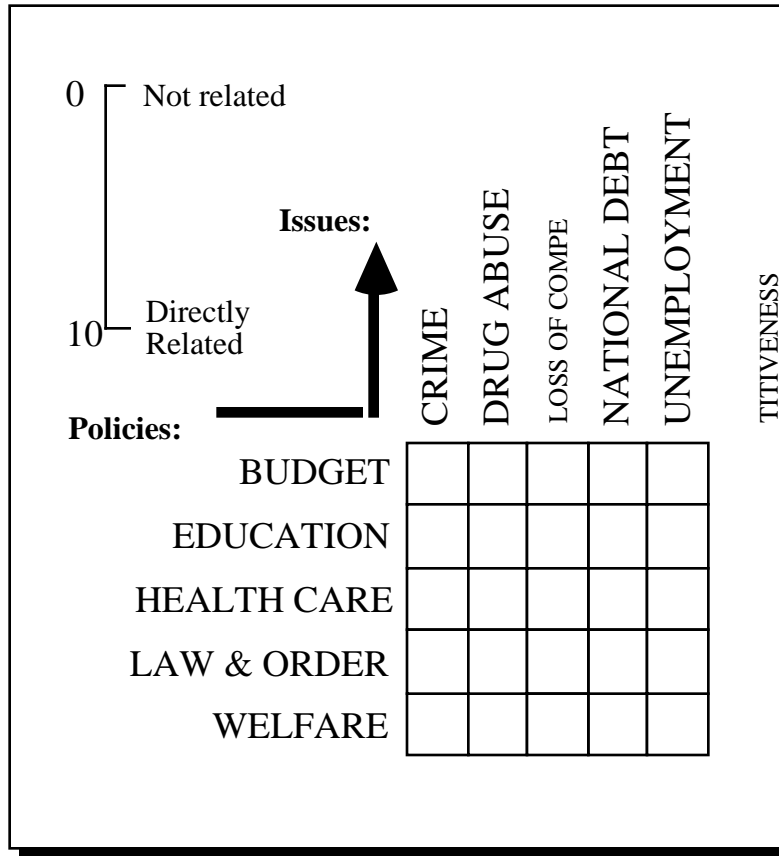
may do little to untangle the bureaucratic mess, as shown in Figure 12.2. Which way is it? What does the B.I.O. savvy think? You guessed it. It all comes back to the customer focus. The existing system is hopeless, as it has all but disregarded the basic needs and interests of the consumer. Putting people first sounds right, but if it has to be done by political decree, it may not lead to the kind of market incentives and competitive forces that naturally reward continual improvement. However, it is still a good start. Ultimately, the success of any reform will hinge on how well it puts the customer in the driver's seat. Assuming that this can be done, at least to some meaningful extent, we can begin to contemplate health care in the Information Age. There, the opportunities for improvement through B.I.O. Rhythm abound. Almost every aspect of the bureaucratic buffer between the patients and their doctors can be streamlined. Even the practice of medicine and the delivery of care can benefit significantly from information technology as we shall explore in a separate chapter.

#### “NEXT!”

Where can we place government on our time scale in Figure 12.1? Based on our experience of being handled like inventory parts waiting for their turns on an assembly line, the Industrial Age may be the first to come to mind. However, the perpetual budget crises that seem to plague all levels of government are more like nightmares of the Financial Age. Perhaps government is indeed ageless. As if to further distinguish it from business enterprises, we seem to have granted it a license to be ineffective in serving our needs. The label of bureaucracy has been pitched as both a curse and an excuse. Why? Because we never consider our-

selves as customers. Although we foot every penny of the bill, we do not demand that government earn its money's worth. While it is put in place to serve, we perversely defer to it as the seat of unmitigated power and authority. Yet, we haplessly resign to its inadequacy in enforcing law and order and protecting us from crime. If we were customers with a free-market choice of providers, we would have shopped around to evaluate competing services. Since that has never been the case with government, we adjust by setting embarrassingly low expectations. Unfortunately, by tolerating inefficiency we are indirectly condoning waste and abuse of our resources. Cynics may say that society will always have its problems, and there are so many that it

**Figure 12.3 Government Policies and Social Issues**

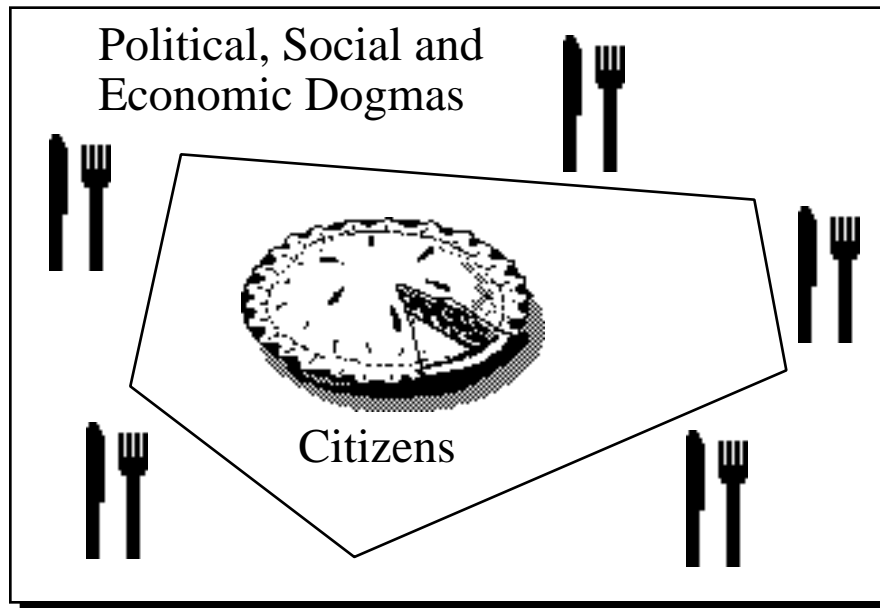


is a lost cause to expect our government to do much about solving them. It is true that problems are plenty. What is often overlooked is how they are all interrelated. Here is an exercise that may help us see things in a different light. In Figure 12.3, some major areas of governmental policies are pitched against a selection of issues high on the list of contemporary social concerns. Obviously, certain pairs of policy and issue are directly related, such as BUDGET and NATIONAL DEBT, LAW & ORDER and CRIME. Put a 10 in the corresponding entries of the matrix. Next, fill in the rest with your rating, on a scale from 0 to 10, of the extent to which a policy area and an issue are related. Just think about it and record your gut feeling. There is no need to be very precise. Finally, add up all the numbers you have in the matrix. If your total is over 100, you have probably uncovered some relationships that were not obvious before this exercise. On the other hand, if your total is well below 100, you are probably unaware of facts like the following.

- It may be easier for public schools to get budget approval for metal detectors than for computers.
- Health-care costs add over \$1,000 to the price of every car made in America.
- Most welfare recipients would be worse off working at minimum wage.
- Product liability insurance constitutes 95% of the cost of a flu vaccine.

These may have the appearance of random trivia. However, the list can be extended until they add up to the realization that all our socioeconomic problems are closely intertwined. Moreover, the greatest difficulty in dealing with them stems largely from our forfeiture of the role of customers for governmental services. This leads to the rude awakening that the days of minding your own business as an innocent bystander are over. *In the Information Age, if you are not part of a solution, then you are part of a problem.* The pervasive connectivity that transcends any

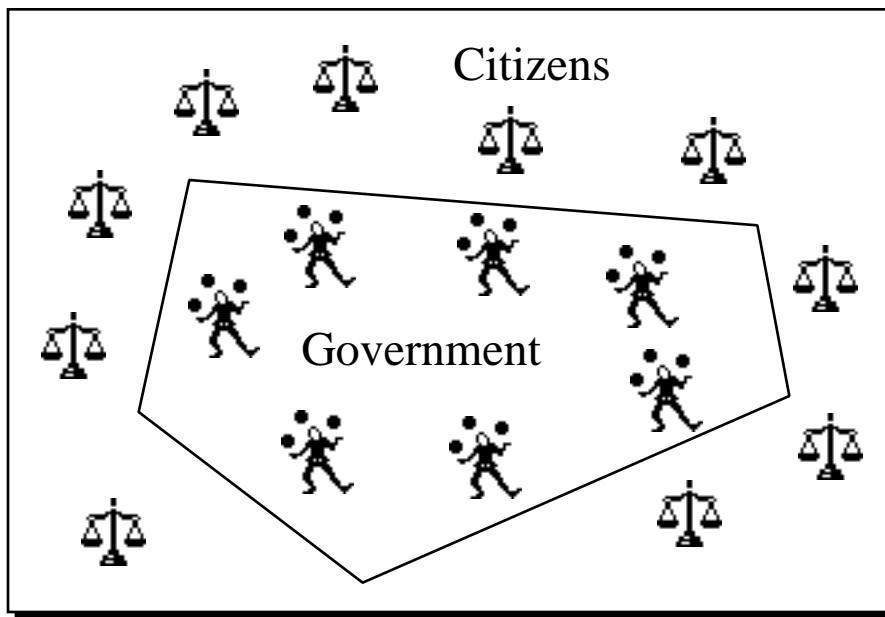
**Figure 12.4 Citizens as Consumers of Dogmas**



barrier in time and space is setting the stage. Although it may sound ominous, this revelation is actually good news. It has been pointed out that putting people first can work only if people know what they want. How are they to tell? Traditionally, it has only been through their allegiance to political, social, and economic dogmas pitched one against another by competing leadership, as depicted in Figure

12.4. Not surprisingly, it is the same picture we used to illustrate the old market paradigm in Chapter 4. As we discussed there, the bottom-line approach led businesses to push for conspicuous consumption that resulted in the over-drawing of our economic means. Bureaucrats, even those with the best of intentions, have been following the same path all along. To have an effective and customer-driven government, citizens must assume the role of well-informed and value-conscious consumers. We recall the picture of the new market paradigm to draw the analogy as

**Figure 12.5 Citizens as Customers of Government**



in Figure 12.5. Henceforth, the so-called silent majority must be relabeled as gullible customers. They are part of the problem of letting government get by without creating value to the potential of society's resources. The customer mind-set is not revolutionary. As customers, we know better than to expect something for nothing. The same reasoning can keep political and ideological excesses in check.

## B.I.O. RHYTHM FOR SOCIETY

Can we really do better if we try? Definitely. The reason behind this optimism is the tremendous help we can count on from information technology. However, from hard-learned lessons in the business sector, we can also predict that using IT to automate existing bureaucracies alone will not get us too far. The way things get done must be closely scrutinized, starting from their purposes and following through the procedures to see how values are added. Only no-nonsense processes should be enabled and enhanced with suitable match-up with technology. It can be done, as evidenced by promising results that are transforming business enterprises adapting to dynamic changes brought on by global competition. To realize similar B.I.O. Rhythmic improvement in education, health care, and government—corresponding driving forces must be called into play. (Incidentally, it is convenient to substitute “Bureaucratic Information and Operations” for “Business Information and Operations” in “B.I.O.” in the present context.) Where are these forces going to come from? Probably not from political or ideological mandates. We learn from history that forces of that nature can only push us to trade one set of bureaucratic dogma for another. Regardless of which dogma has currency, the ineffectiveness, waste, and abuse of bureaucracy can still proliferate. Market forces, as determined by consumers’ collective value judgment, are more reliable drivers.

While there is much hope, the process will not be easy. Even the reengineering of basic business operations can prove to be nontrivial as old habits die hard. The revitalization of the fundamental processes of society is perhaps the greatest challenge we must face if we aspire to pros-

perity in the Information Age. As in business process reengineering, it is crucial to have a cultural foundation to build on. This can again be found in B.I.O. Rhythm. A citizenry that is aware of how things get done and how technology can help will provide the positive market forces if given the opportunity to behave as well-informed and value-conscious customers. It is the same savvy that people will need to prosper in the workplace of the future. Its extension to public interests is quite natural. For this reason, it can indeed be the new culture of tomorrow.

To bring education, health care, and government into the Information Age, the majority in a democratic society will have to agree that these sectors should take on a customer focus. How and when this can happen is beyond the scope of this book. My vision is that as the work force becomes B.I.O Rhythmic to prosper economically, the new culture will eventually take hold. As more of us realize that not being part of a solution is to be part of a problem, the right kind of change is inevitable. It is up to us to bring good news, as the status quo can only be counted on for more bad ones. In the rest of the book, we survey some early examples of how IT *can* in principle contribute to the improvement of these sectors. Remember that fundamental reforms are necessary to remove many structural barriers to responsiveness and flexibility to customer needs. Otherwise, the benefits of technology, no matter how sophisticated, will be no more than cosmetic.