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Virtual office concept reduces overhead cost by over 25%

**Advances in technology eliminate
the need for many workers to
commute to the office daily.**

Over the last few years a new trend in work style has eliminated the need for many to commute to the office daily. Initially this concept was seen only as being applicable in the "outside" sales force of many companies. This trend is now showing up in many other functions within organizations. The result has been that less office space is required to run many businesses on a day to day basis.



From our first hand experience, we have seen our office space requirement drop by over 25%. In one confidential internal report of a Fortune 10 corporation they estimate that they can have up to 40% of their staff work at home in a virtual office. That study calculates that there will only be a need for a common area that has one office space for every six virtual office employees.

In our case we were able to take one of our consulting and administrative offices from 5,000 to 3,500 square feet of space while increasing the usability of the office. Many larger companies such as AT&T, NCR, and Kodak have found this same percentage applies to 100,000 square ft. offices. One of

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DEC continues to build buggy wips

**The lesson of IBM was lost on
DEC's management**


As IBM continues to restructure itself, DEC continues to do things the old way. Remember this is the same company whose chairman got out of the PC business because there was no market potential. This same company then continued to stay out of the market when it had a chance to buy Apple several years ago.

Recently DEC decided to go to its users and tell them how great things will be with the next generation of technology that is at least two years away. Shades of how IBM used to say how good it was going to be. At the same time DEC seems to be ignoring its large growth clients by not offering the tools for production scheduling and data base management. Again, shades of IMS and the early days of MFT and MVS (those are older IBM operating systems for readers under 40).

As the world is changing, DEC is sitting on the edge of a cliff and does not know it. In this writer's opinion, DEC does not have the tools or market share to compete with IBM in the large production data processing organizations. At the same time, its market is being torn apart by file servers in PC networks -- much less client servers.

DEC is taking some steps in the right direction but it needs to do more. Its pricing for software is unfair to its customer base at best. Its reliance on Apple and WordPerfect is based on yesterday's market share.

DEC needs to look at what its customers are asking for. DEC then needs to be more responsive. Two years for new products is not responsive. In the mainframe world the DEC cluster processor is the key to client server applications. DEC must get this message out. Then it should focus on meeting the needs of its loyal and established customer base.

Based on what we have seen over the last several months, DEC could go the way of Wang and Prime. 

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Virtual Office Concept reduces overhead cost by over 25%

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our clients has a large programming pool and they have applied this to their staff in Southern California and it seems to work very well.

All of this comes with some cost and change in the culture of an organization. In talking with a number of individuals who work out of a virtual office in their homes we have found a number of very interesting things:

- 1) If someone is going to work hard in the office they can and often work harder out of a virtual office. There is some new discipline that must be learned but it is not impossible. One of the techniques that many people follow is to dress as if they are going to the office.
- 2) Most people will devote more productive time to their work if they work out of their home. Commuting hours are modified to minimize the amount of time that is wasted sitting in rush hour traffic. In addition, when there is nothing else to do, many will drift towards the in-home office and spend some time working late at night.
- 3) Communication and trust become critical. In order for the concept to work there must be a way to contact everyone quickly and effectively. In addition, management must believe that the employees have the best interest of the enterprise in mind and are working to meet the group's common goals.
- 4) More time is spent with the customer/client. People working in this environment "bond" more closely with the people that they are dealing with on a day to day basis. As long as there are guidelines and rules this can be a very strong positive for everyone.

Requirements to support a virtual office cost between \$3,500 to \$4,500 per employee

There are both enterprise wide and individual specific requirements necessary to support virtual office employees. Included within the enterprise wide requirements are voice mail, a data communications network, and office equipment in the virtual office.

Voice Mail

No matter what system is used it is mandatory for the people on the voice mail system to check their mail

frequently and return all calls. We have had a number of cases in our firm where messages have been exchanged via voice mail systems and tasks completed without any communication other than voice mail systems. Please note this does not work with an unhappy customer.

The Voice Mail system should be both user friendly and feature rich. There needs to be the capability to reach a person through the system without getting lost in voice mail hell. One feature that we have found to be the most helpful is that the system will call out to say there is a voice mail message on the system for an individual. In my case if I am driving, the voice mail calls my car phone. If I am there, I can take the message right away. If I am not the next time that I call into the office, I can get the message.

The system needs to have the ability to transfer to someone other than the person called. An on-line telephone directory is a great help.

Data Communications Network


As people need information it must be available to them from remote locations. This means there should be a network that is accessible from the outside. This brings up a whole set of security issues that need to be addressed. For example, one Fortune 10 company had its network invaded by someone who acquired the access codes via a cellular phone scanner.

Office Equipment in the Virtual Office

Each of these offices need to have a phone line and possibly a printer. In addition, each individual working under this concept should have a PC (laptop preferred) that they can use for EMail and normal administrative functions. This PC will be the office support staff for the employee when they are out of the office.

Summary

We have used a virtual office concept for over six years. We have had both consultants and administrative staff that have worked in a virtual office. In general, we are very pleased with this approach to doing business. Our firm would not have been able to prosper the last few years without the inherent savings that we have attained from this implementation. We have a number of additional pieces of technology that we are currently implementing to expand this concept. Included are a network based fax system and a firm/customer bulletin board system to foster better communications.

Over the next few years this is where the action is going to be. It is too expensive to have stand-alone offices with larger overhead to do much of the work that can be done by single individuals. Back to the cottage approach to work. 

IBM's restructuring will drive many companies out of business

Microsoft may have a real competitor at long last.

With the recent announcements of re-organizations and retirements at IBM, the CEO's of many technology based companies and their staffs are looking over their shoulders. Given that we all want to deal with successful vendors, if IBM can turn around that large ship of state that has driven technology since the late 1950, we may have real competition again. Imagine a world of four or five aggressive IBMs. One of the first casualties of the new IBM will be Apple. Just look at the power and muscle that IBM flexed with it 486 laptops (100,000 units in sales - \$400MM).

Taking a quote from the film "Other People's Money", remember that IBM was the last and best manufacturer of the great mainframes and it is time for it, as we know it today, to die. As an enterprise they were able to dominate the world market as no other organization has or probably will be able to. As long as IBM remembers the core business that it is in it will prosper. In our life-time IBM has moved from a business that depended on supplies and typewriters, to unit record equipment, to the large mainframe world.

**IBM was the last and best
manufacturer of the great mainframes
and it is time for it to die**

In late 1960 an IBM typewriter salesman could make over \$100,000 a year. It was a great move for someone who was people oriented and not afraid of selling a concept. Then came the massive explosion of computers and the face of IBM changed. One of the strengths of the enterprise is that it can adapt to the needs of the business.

Today it is hard to imagine either of the earlier jobs as a career path. IBM's growth is no longer dependent on those businesses.

With the new IBM, the same will be true of the mainframe and the AS/400 class of machine. What we will see is a new generation of technology that will be driven by business functions. IBM still has some of the best and brightest scientific minds. Those strengths leveraged by the new fresh faces will be the impetus for the new IBM.

Pieces of the old IBM will be sold off. Some good people will lose to IBM, but they will remain in the industry. That crop of experienced managers and technocrats will drive the rest of the industry. No matter what happens there will be several IBMs for the AT&T's, Microsoft's and others to compete with. The only real losers will be those that do not respond quickly and effectively.

As we look forward and see the new IBM, many will question why some pieces are being sold off but others are being kept. Our only concern is that the R&D arm of IBM be the one that survives. If that is the case, and the time to market for new ideas is reduced from the old three year minimum, world watch out.

IBM is already taking some steps in that direction. Some of the current key players in the industry and world markets are noticing. The first few steps will not be visible to many. If IBM is successful, the Intel's, AT&T's and Microsoft's will not be around in 2025 as industry leaders. As IBM gets out of business their survivors will be meaner and leaner. The stocks of the several new IBMs will be back in 100s sooner than later. ➡

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Forecast Of The National IS Job Market

The evolution of the new IS function along with the economy are having a significant impact

by M. Victor Janulaitis

The hopes that many had for building the information interstate highway are slowly dying from the administration's lack of focus. This is one initiative, if it takes off, that will start the job creation engine of technology based organizations. The down side is the elimination of tens of thousands of jobs that will no longer be needed. Maybe all of those individuals displaced could all join the army and keep the peace in the Balkans.

In the last several months there has been a significant re-alignment in the role of technology in corporate America. No longer is technology the sole domain of IS organizations. The number of top corporate executives that have grown up with technology in the way of spread-sheets and databases is increasing. With this increase has come a new vision that it does not have to take 18 to 24 months to design, develop and implement new solutions. Executive management is no longer as tolerant of ineffective and bureaucratic IS functions. This along with the constant down sizing has caused many organizations to move rapidly to deploy new

technologies not under the control of the centralized IS functions.


This is seen the most in the southeast and midwest. In the northeast and mid Atlantic states the old infrastructures continue to flourish. In the next one to two years we should see a significant re-alignment in those markets. The west and Pacific northwest continue to languish due to the economy and cuts in defense spending. If "Billy-boy" gets us into a long police action the economy would do better there. Given there is a continued drop in rating in the polls he may cause some things to happen to move the economy.

Most of the major searches that are being undertaken are by firms in the south and southeast. We have heard of a number of firms from the north that are taking this as an opportunity to build stronger organizations in warmer climates. The impacts of the World Trade Center bombing continues to be felt. A number of organizations are thinking of moving their "non-customer" operations out of high profile locations such as the WTC. This, with the elimination of at least ten 100,000 plus square feet

data centers, is creating a demand for individuals who can distribute applications and relocate operations quickly and in-expensively. The only exceptions that we see are in the southeast. Denver and Dallas markets with more vibrant economies and business climates are moving things ahead.

As we look out over the next several months, we see the greatest opportu-

...elimination of tens of thousands of jobs that will no longer be needed

nities in the area of client servers. This will be driven by the lower costs of new file servers and work stations (including PCs). One company we know spent \$2.3 MM in 1992 to upgrade old technology. In the first five months of this year they have spent \$3.7 MM. This is happening all over. In addition, as new and better technology comes out it is being snapped up. For example, when IBM came out with its new 720C color laptop it booked orders for over 100,000 in the first two days -- during a recession. 

Vic



Published by:

M. Victor Janulaitis

Location	Prospects Short Term	Prospects Long Term
Northeast	Poor	Poor to Worse
Mid-Atlantic	Poor	Fair
Southeast	Excellent	Excellent to Very Good
South	Good	Good to Fair
Midwest	Very Good	Very good
Southwest	Very Good	Excellent to Very Good
West	Fair	Fair to Good
Pacific Northwest	Fair	Fair
Best Location	Southeast	Southwest