

On the Spot at Dynamix Enterprises

As a new employee of Dynamix Enterprises, you have been asked by your boss, Marv Dillon, the Chief Operating Officer, to help him respond to an issue of contention between the president of the largest division, of the company, Dyninvest, and the Chief Information Officer of Dynamix.

Dynamix is a diversified financial services company which has grown by acquisition from its core business, an old New England bank. Of the eight operating divisions, six are virtually intact from when acquired, including Dyninvest, the second largest division and fourth most profitable. All division presidents report to your boss Dillon, the COO. Businesses include an investment bank, consumer financial investment and money management (Dyninvest), and several on-line information services to particular industries. Dynamix is publicly traded, had 2004 revenues of \$2.5 billion, and has experienced an average of over 15% growth in recent years. Profitability has lagged, largely as a result of the unanticipated heavy costs of integrating information technology infrastructure to achieve expected efficiencies. The stock price has lagged the index of the financial industry.

In October, 2004, the president of the Dyninvest division, Elaine Rodriguez, submitted a proposal to the CIO of Dynamix, Geof Chang, for the urgent purchase of a vendor customer information management (CIM) system package from the vendor Seibel. The submission was part of the annual budgeting process which required all divisions to get their IT investments and operating costs reviewed and approved by Chang and his staff before they spent divisional funds or allocated corporate funds. The request for Seibel was the only new system request from the division for that annual cycle. It amounted to \$1.75 million in purchase and implementation costs, all of which would come from the Dyninvest division's budget. Dynamix's IT budget was \$425 million a year. Approximately 30% of that was from corporate funds, spent either centrally on company-wide infrastructure or allocated to divisions for applications which could benefit more than one division.

This morning your boss Dillon received an angry phone call from Rodriguez, who had just received an email from Chang. The email informed her that the request for the CIM package was being reviewed in light of a previous plan, approved by the corporate IT steering committee in June, 2004, for \$10 million over 18 months, to consolidate customer information across most divisions, to move to a web-services architecture that would employ plug-and-play applications like "Salesforce.com", and that Seibel was not a preferred vendor. Rodriguez had told Dillon, "There is no way we can meet our sales targets in 2005 without the new system. We are being beaten by the competition in enlisting banks, financial advisors, and estate planners, our key channels to the consumer, in selling our mutual funds and index funds, and it is because we don't support our staff with information. Many competitors use Seibel, and we need it now." Dillon, as a member of the corporate IT steering committee along with other direct reports to the CEO of Dynamix, including CIO Chang, knew about the approved web services strategy but appreciated that Dyninvest was under pressure to increase sales.

As he gives you the assignment, Dillon says, "What should I do here? I know you are new to Dynamix, so if you have any other questions or a way to think about this, start with that. But you and I need to have an approach this afternoon. I'm meeting with Rodriguez and Chang at four pm."