# Harvard Business Review

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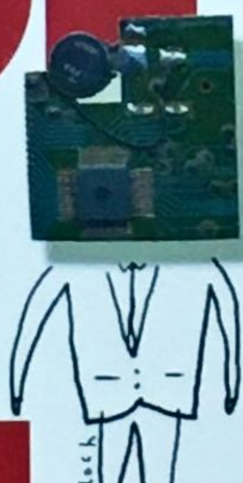
# ALIGNING TECHNOLOGY WITH STRATEGY



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# Contents

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# Six IT Decisions Your IT People Shouldn't Make

*by Jeanne W. Ross and Peter Weill*

**FOR SEVERAL YEARS NOW,** we have observed the frustration—sometimes even exasperation—that many business executives feel toward information technology and their IT departments. Our center runs a seminar called "IT for the Non-IT Executive," and the refrain among the more than 1,000 senior managers who have taken the course runs something like this: "What can I do? I don't understand IT well enough to manage it in detail. And my IT people—although they work hard—don't seem to understand the very real business problems I face."

Perhaps the complaint we hear most frequently from the executives—most of them CEOs, COOs, CFOs, or other high-ranking officers—is that they haven't realized much business value from the high-priced technology they have installed. Meanwhile, the list of seemingly necessary IT capabilities continues to grow, and IT spending continues to consume an increasing percentage of their budgets. Where's the payback?

Indeed, our research into IT management practices at hundreds of companies around the world has shown that most organizations are not generating the value from IT investments that they could be. The companies that manage their IT investments most successfully generate returns that are as much as 40% higher than those of their competitors.

While a number of factors distinguish these top-performing companies, the most important is that senior managers take a leadership role in a handful of key IT decisions. By contrast, when senior managers abdicate responsibility for those decisions to IT executives, disaster often ensues: Recall the high-profile instances of botched adoptions of large-scale customer-relationship-management and enterprise-resource-planning systems. It would be reasonable to assume that the CRM and ERP fiascoes were the result of technological snafus in getting the complex systems up and running. But in fact the problems generally occurred because senior executives failed to realize that adopting the systems posed a business—not just a technological—challenge. Consequently, they didn't take responsibility for the organizational and business process changes the systems required.

Such unfortunate scenarios are likely to be replayed as companies face the next rounds of IT innovations: the increased use of Web services, the adoption of handheld devices by employees and customers, and the integration of multiple electronic sales and service

## Idea in Brief

Gnashing your teeth because your firm's hefty IT investments generate weak returns? Most companies are in the same boat. Worse, some suffer disastrous *losses* owing to mismanaged IT decisions. (Witness companies that sank millions into CRM software—then discovered they didn't need it.)

Why these fiascoes? Many non-IT executives leave key information-technology decisions to IT executives because they don't feel comfortable enough with technology to manage it in detail. Result? IT executives make choices that inadvertently clash with corporate strategy.

IT executives *should* choose information-technology standards, design operations centers, etc. But *non*-IT executives must ensure that IT choices align with company strategy—by making six crucial strategy and execution decisions.

channels such as Web sites, call centers, ATMs, and wireless phones.

Don't get us wrong. IT executives are the right people to make numerous decisions about IT management—the choice of technology standards, the design of the IT operations center, the technical expertise the organization will need, the standard methodology for implementing new systems. But an IT department should not be left to make, often by default, the choices that determine the impact of IT on a company's business strategy.

To help senior managers avoid IT disasters—and, more important, to help them generate real value from their IT investments—we offer a list of six decisions for which they would be wise to take leadership responsibility. The first three have to do with strategy; the second three relate to execution. Each is a decision that IT people shouldn't be making—because, in the end, that's not their job.

## Idea in Practice

**Strategy Decisions**

1. **How much should we spend on IT?** Define crystal-clear IT goals. A vague vision (e.g., "providing information to anyone, anytime, anywhere") can mean millions wasted on chasing elusive benefits. *Then* set IT funding to achieve those goals.

2. **Which business processes should receive our IT dollars?** Decide which IT initiatives will further your strategy—and fund only those. You'll avoid burying your IT department in irrelevant projects.

   ***Example:*** Delta Air Lines overhauled its IT investment approach when its business units' disparate IT systems began hindering employees' ability to serve customers. A single question ("At what gate will my plane arrive?") could generate 17 different answers. Delta's response? A new, *unified* technology platform providing all employees with current flight and customer information. Simultaneously, Delta shelved a revenue-planning system—competition for additional IT resources would have threatened the new platform's success.

3. **Which IT capabilities should be firmwide?** Centralizing IT capabilities can save money—but limit business units' flexibility. Yet *excess* flexibility is expensive and can dilute units' synergies. Weigh these tradeoffs.

   ***Example:*** After a century of operating as 200 decentralized units worldwide, Johnson & Johnson had to rethink its response to a new breed of customer with scant patience for

### 1. How much should we spend on IT?

Given the uncertain returns on IT spending, many executives wonder whether they are spending too much—or perhaps even too little. If we can just get the dollar amount right, the thinking goes, the other IT issues will take care of themselves. So they look to industry multiple salespersons, invoices, and shipments. It introduced a centralized global desktop that provided "a single view of the customer" (e.g., standardized account numbers) and enabled cross-unit electronic communication—but maintained individualization at regional levels.

**Execution Decisions**

4. **How good do our IT services need to be?** Obviously, an IT system that doesn't work is useless. But don't let IT executives push for "Cadillac" service when a "Buick" will do. Determine how much reliability, responsiveness, and data accessibility you *must* have—and don't waste money on the rest. For Dow Corning, a brief downtime—though inconvenient—wouldn't halt production. So the company built a back-up site for use only if its system crashed for several hours.

5. **What security and privacy risks will we accept?** Weigh tradeoffs between privacy versus convenience. When Yale University let applicants access their admissions decision online, Princeton officials—competing for those students—accessed the site, too.

6. **Whom do we blame if an IT initiative fails?** The IT department is responsible for delivering systems on time and within budget. *Your* job? To make organizational changes that generate business value from those systems. Designate "sponsors" to assign resources to IT initiatives, establish success metrics, and oversee implementation.

benchmarks as a way of determining appropriate spending levels.

But in the successful companies we have studied, senior managers approach the question very differently. First they determine the strategic role that IT will play in the organization, and only then do they