

IT Decision Making

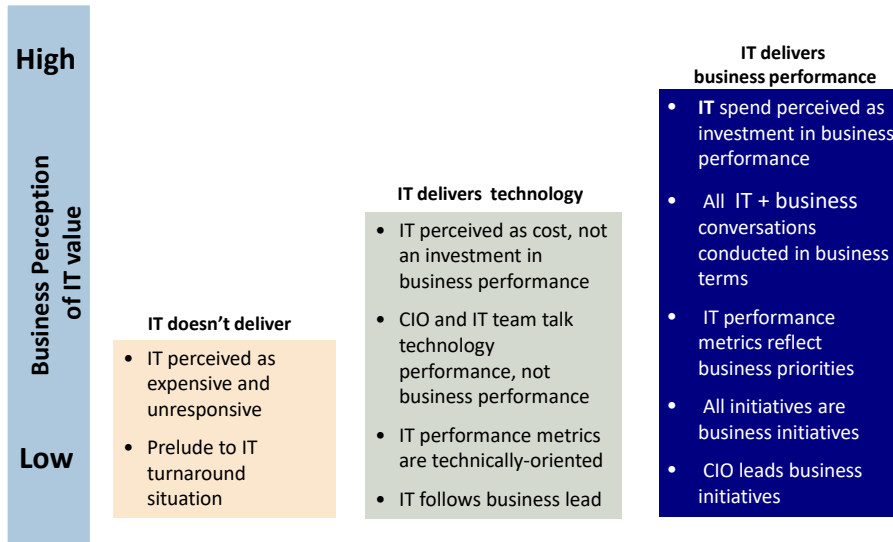
EMBA 514
KEN WILEY
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Slide 2

Organizational Views of IT

(Hunter, 2007)



Slide 3

Business Value Views of IT

“Conventional IT strategic planning is similar to a funeral for a head of state. It is infrequent, requires very powerful people to come together and be miserable, and the end result is buried and quickly forgotten.” (Anonymous)

Slide 4

Business Value for IT Equation

Business performance:

The ability of the enterprise to achieve or exceed its objectives.


$$BV(IT) = \frac{\text{Business performance}}{\text{IT Spending}}$$

Mathematically, there are two ways to increase BV(IT)

Slide 5

“IT Doesn’t Matter” Interpretation

How can you improve the Business Value of IT spending?

$$BV(IT) = \frac{\text{Business performance}}{\text{IT Spending}}$$


Option One
IT Spending is a cost to minimize in order to improve the business value of IT

“Most strategies focus on providing efficient and effective IT services...”

Slide 6

“IT Does Matter” Interpretation

How can you improve the Business Value of each IT dollar spent?

$$BV(IT) = \frac{\text{Business performance}}{\text{IT Spending}}$$

Option Two
IT Spending is a critical factor in achieving Business Performance.

“IT spend that improves business performance is **the cost of doing business in a particular way**—not the cost of IT.”

Slide 7

Perspectives and Frameworks

Slide 8

Porter Generic Strategies Framework

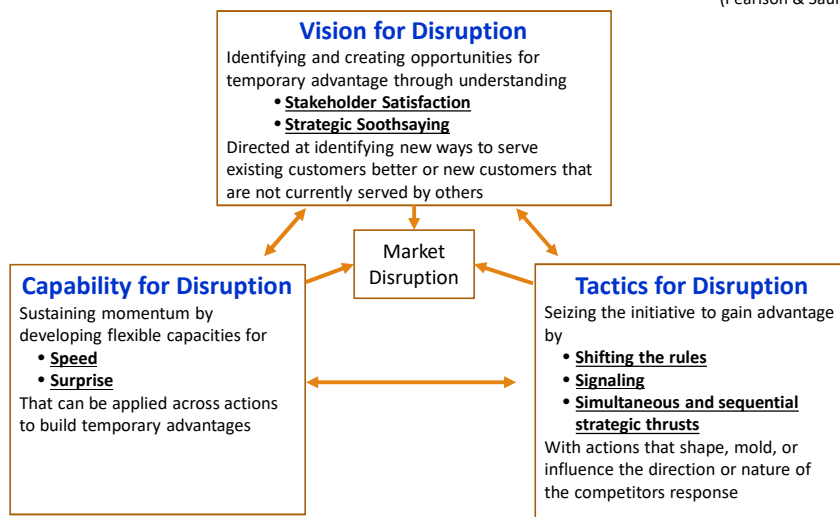
1. Cost leadership
2. Differentiation
3. Niche Focus

	Uniqueness Perceived by Customer	Low Cost Position
Industry-wide	Differentiation	Overall Cost Leadership
Particular Segment Only	<i>Differentiation Focus</i>	<i>Cost Focus</i>

Slide 9

Disruption and the 7 S's

(Pearlson & Saunders, 2010)



Slide 10

7 S's

(Pearlson & Saunders, 2010)

Approach	Definition
Superior <u>Stakeholder Satisfaction</u>	Understanding how to maximize customer satisfaction by adding value strategically
<u>Strategic Soothsaying</u>	Seeking out new knowledge that can predict or create new windows of opportunity
Positioning for <u>Speed</u>	Preparing the organization to react as quickly as possible
Positioning for <u>Surprise</u>	Preparing the organization to respond to the marketplace in a manner that will surprise competitors
<u>Shifting</u> the rules of competition	Finding new ways to serve customers which transform the industry
<u>Signaling</u> strategic intent	Communicating the intended actions of a company, in order to stall responses by competitors
<u>Simultaneous</u> and sequential strategic thrusts	Taking a services of steps designed to stun and confuse competitors in order to disrupt or block their efforts

Slide 11

Organizational Agility

Plummer & McCoy (2006) "Achieving Agility: Defining Agility in an IT Context", Gartner Research #G00137819, April 20.

Organizational Agility defined:

- "ability of an organization to sense or create environmental change and to respond efficiently to that change." (Plummer & McCoy, 2006)
- "Ability to detect and respond to opportunities and threats with ease, speed, and dexterity" (Tallon & Pinsonneault, 2011)

Increasing environmental volatility → need for organizational agility:

- "Always-on" connected world
- Shorter product life cycles / rapid product obsolescence
- Reduced sustainable differentiation & increased competition
- Increased buyer choices (increased buyer power)

Technology plays a central role in achieving agility:

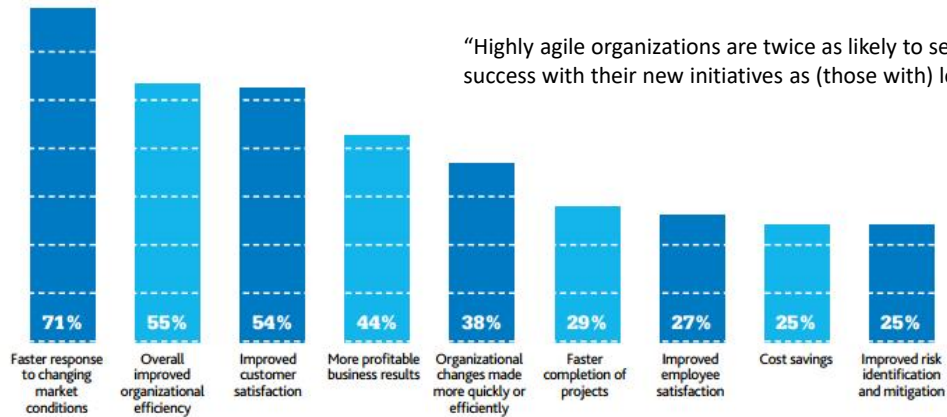
- Major business transformations, changed business directions, reengineered processes must be enabled through leveraged use of IT

Slide 12

Organizational Agility

PMI Pulse of the Profession In-Depth Report: Organizational Agility, 2012. Survey base on sample of 1,239

Benefits of Increased Agility

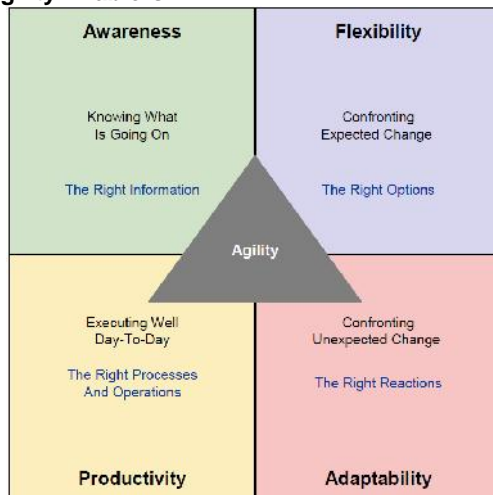


“Highly agile organizations are twice as likely to see increased success with their new initiatives as (those with) low agility.”

Slide 13

Organizational Agility is Enabled by ...

Agility Enablers



Plummer & McCoy (2006) "Achieving Agility: Defining Agility in an IT Context", Gartner Research #G00137819, April 20.

AND... a cyclical model of continuous improvement

Slide 14

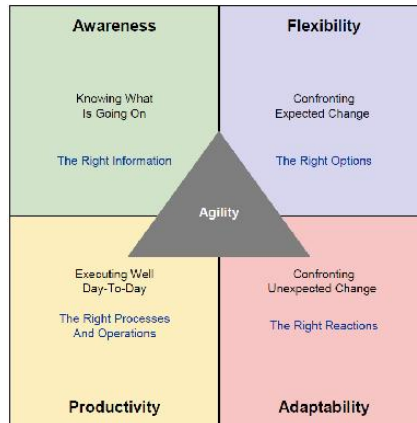
The Enablers are Enabled by IT...

IT Enabled Agility also involves:

- Alignment of IT & Business Strategy
- Optimized use of established technologies
- Reduced failure rate implementing IT solutions
- Single, unifying, business architecture that optimizes IT investments

Technologies supporting information flow
→ **Awareness**

Technology Development capabilities enable new options & effective solutions
→ **Productivity & Flexibility**



Integration and interoperability... core agility technologies
→ **Flexibility**

Technologies providing connectivity and access to information
→ **Adaptability**

Slide 15

Metrics To Improve IT Investment Decisions

(Hunter et al, 2008 Gartner)

Measure business value of IT in improved business performance as perceived by business stakeholder

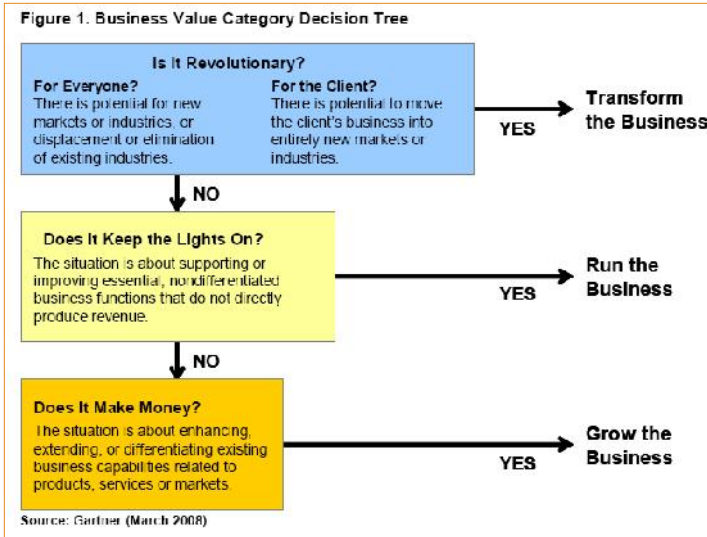
Use appropriate business metrics to build value proposition:

- Run-the-Business
- Grow-the-Business
- Transform-the-Business

Slide 16

Determining the Business Context

(Hunter et al, 2008 Gartner)



Slide 17

Metrics for IT Investments

(Hunter et al, 2008 Gartner)

Investment Category	Value Definition	Example Process Areas	Example Metrics
Run-the-business	Operating essential business processes at Reduced cost, Improve price/performance, Reduced risk	Procurement, Manufacturing/service delivery, HR, IT, Finance, Regulatory	Price/performance ratio, Asset utilization, Sales costs, COGS
Grow-the-business	Visible operational improvements to whole value chain within current business models	Marketing, CRM, Sales, Product development, Customer service	Market Share, Time to Market, Sales cycle time, Customer retention
Transform-the-business	Creating new opportunities that transform the industry, market or enterprise	Strategic planning, Marketing, Product development	Revenue growth by BU

Slide 18

IT delivers Business value when...

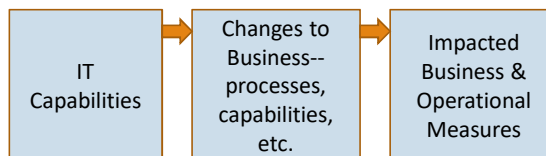
- IT is closely aligned with business
- Business & IT leaders are collaborators
- Alignment is combined with flexible IT infrastructure
- IT investment ROI is measured in terms of business performance
- The value metrics are appropriate to the purpose of the investment

Slide 19

Compelling Business Value Statement

Business Context for Proposal

- Run, Grow, Transform
- Business Goals
- Competitive Strategies

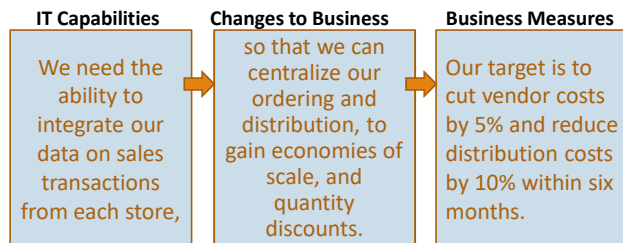


Slide 20

Example: Compelling Business Value Statement for an IT Investment

Business Context for Proposal

Our Business needs to run its operations more efficiently in order to reduce prices relative to our competitors.

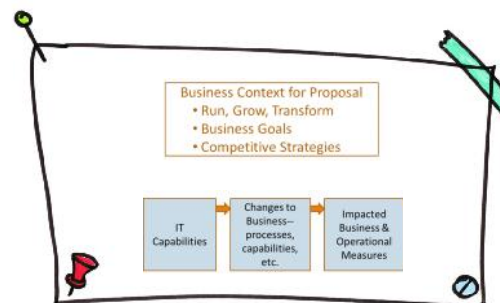


Slide 21

IT Investment Competition

Goal: Select the best IT Investment for the Firm

1. Select one OMB proposal from your team
2. Create a compelling value statement (1 flipchart)
 - A. Business Context
 - B. IT Capabilities
 - C. Business changes to enable
 - D. Measurable business effects
3. Presentations (Elevator Pitch)
 - A. Each team: 5 min presentation, 2 min Q&A
4. Decide
 - A. Class is the Board of Directors



Slide 22

And back to Carr...

Ann Bednarz (May 2013) Q&A: Nick Carr on 10th anniversary of 'IT Doesn't Matter', Network World.

Carr in 2013 "Some details are outdated. .. But what I think I did was to put the question of IT firmly into the broader question of business strategy. ...The other reason I think it's had legs is that I've been told the article served as an inspiration to a lot of entrepreneurs who got interested in cloud-based businesses for corporations."

"If you look at IT, the bulk of investment these days especially among vendors... is on cloud systems and applications. (but) cloud is still a fairly small percentage of overall corporate spending, even though it's growing quickly. So we're kind of between two eras... I think we're still at the beginning of that shift."

Slide 23

References

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Slide 24