

# THE MATURING OF IT AS A BUSINESS DISCIPLINE

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## **The Value Chain and the Evolution of Information Technology**

“The basic tool for understanding the influence of Information Technology on companies is the value chain – the set of activities through which a product or service is created and delivered to customers. When a company competes in any industry, it performs a number of discrete but interconnected value-creating activities, such as operating a sales force, fabricating a component, or delivering products, and these activities have points of connection with the activities of suppliers, channels, and customers. The value chain is a framework for identifying all these activities and analyzing how they affect both the company's costs and the value delivered to buyers...

The evolution of Information Technology in business can be thought of in terms of five overlapping stages, each of which evolved out of constraints presented by the previous generation. The evolution of IT in business ran through five stages:

1. IT systems automated transactions such as Order Entry and Accounting.
2. The fuller automation and functional enhancement of individual activities such as Human Resource Management, Sales Force Automation, and Product Design.
3. The acceleration of the Internet involving cross-activity integration links sales activities with Order Processing and multiple activities together through such tools as Customer relationship Management (CRM), Supply Chain Management (SCM), and Enterprise Resource Planning (ERP) systems.
4. Enables the integration of the value chain and its entire value system, including those tiers of suppliers, channels, and customers. SCM and CRM are starting to merge, as end-to-end applications involving customers, channels, and suppliers link orders to, for example, manufacturing, procurement, and service delivery. Eventually product development will be integrated, which currently has been largely separate, with complex product models exchanged among parties, and Internet procurement, then moving from standard commodities to engineered items.
5. Information Technology will be used not only to connect the various activities and players in the value system but also to optimize its workings in real time. Choices will be made based on information from multiple activities and corporate entities. Production decisions, for example, will automatically factor in the capacity available at multiple facilities and the inventory available at multiple suppliers. While early fifth-stage applications will involve relatively simple optimization of sourcing, production, logistical, and servicing transactions, the deeper levels of optimization will involve product design. For example, product design will be optimized and customized based on input from factories and suppliers but also from customers.

### **The Message: Manage IT as a Strategic Asset**

The complexity of each stage of the value chain increases along with the continuing evolution of technology. This is a result of a fundamental integration of technology within and across every stage of the value chain. IT has become mission-critical and it should be managed as a strategic asset. It must be seen as an inseparable part of the business. Complete alignment with the business goals is inevitable. All IT executives need to unify with the business, for remaining separate will lead to failure.

### **Partnering For Success**

If IT organizes itself quickly it would be able to respond rapidly to the overall needs of individual business groups. This requires a planning process tightly integrated with each of the business groups and an enterprise-wide vision within which all needs can be met. To accomplish this you must establish working relationships at individual and group levels with all business partners.

All members of this business team are scheduled with accountabilities and deliverables. Priorities are determined through jointly developed business cases. All projects are required to build a business case, for a technology case is not sufficient. All business cases are required to discuss alignment of objectives with enterprise objectives.

### **The Importance of Relationships**

Relationships are encouraged both on an individual level as well as on a group level. For example, if a partner has been unable to form a relationship with technology staff the technology department must acknowledge this and take steps to forge the right relationships. In so doing senior technology managers will be forced to identify the source(s) of the problem and proactively correct them. While this process may involve issues of competence, mutual respect, credibility, business knowledge and perspective, and even communication; nevertheless, relationships are not built overnight. Relationships require great amounts of patience and extensive consistency. Communication is a relationship-building opportunity that must be taken full advantage of. As part of standard management process, IT should review its relationships on a regular basis.

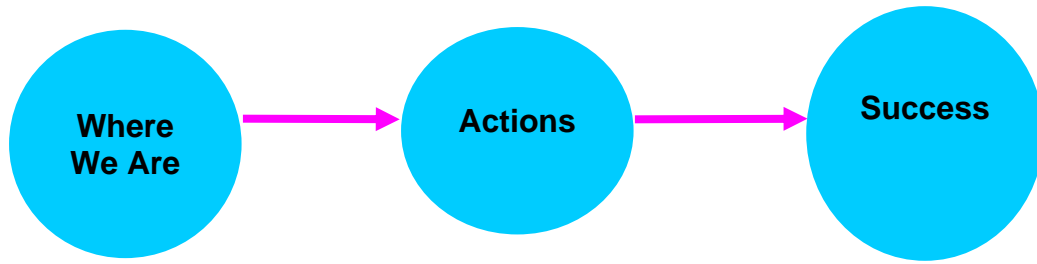
IT's partnering/relationships depends strongly on senior management support. The tone is set at the executive or senior management committee level. Relationships are built from the top down and from the bottom up. Yet it's quite probable that it may not rise beyond a certain level in the organization without active senior management support. It's interesting how a whispered word in the right ear works wonders (a requirement of true senior management commitment).

Delegating relationships upward, downward, and sideways and avoiding jealously guarded relationships, for it will defeat the purpose.

### **Investing in Values**

The environment, as we have described it, is illustrated below in Figure 1 below:

Figure 1: Investing In Actions



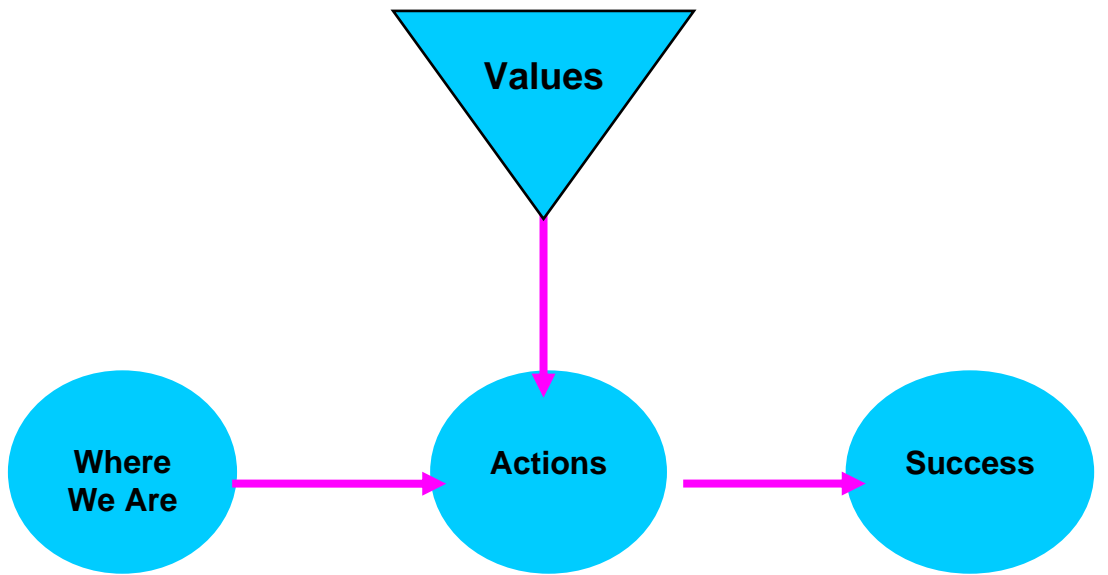
Inseparable from the business  
 • Managing IT as a  
 Completely aligned with business goals

Partnering  
 Business teams

Strategic asset

This picture is incomplete. Something is missing. The actions we need to take must be consistent, strategic, adaptable, and repeatable under dynamically changing circumstances. The missing piece is values. The complete diagram is shown in figure 2 below.

Figure 2: Investing in Values



Inseparable from the business  
 Completely aligned with business goals

Partnering  
 Business teams

Managing IT as a  
 strategic asset

Values are guiding principles; basic beliefs that are the fundamental assumptions upon which all subsequent actions are based. As a whole, values define the personality and character of an individual or a group. Values are the essence of an individual or group and provide guidelines by which to make consistent decisions.

IT is no longer a cost center and a growing number of highly successful firms are recognizing this. IT is an investment and should be managed as such to increase revenue and profits. However recognizing and managing IT as an investment rather than a cost center is a difficult task and requires a significant cultural shift in most companies.