TUFS
Teaching Note

Synopsis

This case describes how the development and implementation of a major IT project went horribly "off the rails". Despite uncertainties regarding scope, deliverables, and strategic alignment, the project launches but soon deteriorates as the partnership between IT and the business falters. Now, well over budget and still without any sign of benefits (imminent or otherwise), the CFO is faced with a decision – to continue with the project or abandon it.

Key Issues

1. In this case, there are clear differences of how IT value is perceived. IT thought it was bringing the project in on time and on budget; the underwriters wanted an improved system but no process changes; the CFO wanted cost savings; and other executives wanted improved business capabilities.
2. The entire organization expected that technology could simply be plugged in to deliver value, without any recognition of the work the business would have to do. The business completely abdicated its role in this project, both at a senior level and at a practitioner level. Therefore, it is not surprising that it got an "IT view of the world".
3. There is no clear link to business strategy; this project was very unclear about its value and its objectives. There doesn't appear to have been a priorization process or any oversight (governance) over the project's general development.
4. There were no apparent stage gates where the benefits and the costs could be reassessed.
5. No success metrics were established up front and business executives and functional managers had no "skin in the game"; their success metrics were not linked in any way to the success or effectiveness of this project.
6. All parts of the business, the CFO and the underwriters, have a negative perception of IT -- that the project is costing too much, didn't deliver the right things; didn't do things right and hasn't added value.

Teaching Strategy

This case takes a "horizontal" slice through a number of coexistent issues (see Appendix A for a more detailed discussion of these). As a result, the challenge is "knowing where to start" – just as it is in real organizations – and this requires detective work.

Setting the Context
The IT function cannot deliver benefits by themselves. What is required is a successful partnership between IT and the business. Typically, IT takes ownership of the technology and the business takes ownership of the transformation (e.g., required process changes). To highlight the critical need for this partnership, it is fun to play a "finger pointing" game. To do this, divide the class in two and make one half assume the role of IT and the other half assume the role of the business. Now ask them to take turns "blaming" the other side of the class for the dilemma that IT finds itself in at Northern. When blaming the other side, make them cite specific evidence from the case to support their accusation. That is, don't let

them simply say that the other side “screwed up”. You can record these accusations on the front board. Students tend to really engage in this activity. You will be surprised by how many items you can get down. Don’t spend more than 5-10 minutes on this as this creates a lot of energy and involvement and you want to contain it. What has just become obvious to the class through this exercise is the fact that BOTH sides are to blame. This exercise tackles the first discussion question (i.e., what went wrong with TUFS investment?) but it accomplishes it in a much more engaging manner than simply asking the students to tell you what went wrong.

Outlining Responsibilities within the Partnership

With the blame equally distributed (as evidenced by having two long lists of blame on the front board), you can ask the class to suggest what “should have been done” by IT and the business at Northern. In addition to identifying the necessary tasks, ask the class to assign responsibility for each task. The list of accusations, if done well, typically contains most of these tasks. For instance, if the underwriters are blamed for not taking the time to bring the IT developers up to speed on system requirements, then this activity would be identified and responsibility can be assigned. This typically leads into some good discussion around who owns which task and often leads to a sharing of responsibility – again leading to the conclusion that an effective partnership is required to produce realizable benefits. This exercise also addresses the second part of the first discussion question (i.e., what can be done to prevent these problems in the future?).

At this point, I would ask the class if they found the “celebratory picture” on Drysdale’s desk odd. What does the picture suggest about the “partnership” at Northern? Why did IT celebrate the delivery of a system with reduced functionality? Why were the underwriters not included in the celebration? Is this not a “win-lose” situation (i.e., IT wins and the business loses). Given that both members of the partnership work for the same company, would you not want the possible outcomes for the partnership to be limited to a “win-win” or a “lose-lose”? How would you do this? While exploring this issue, why is Drysdale the one that the CFO hauls into her office to explain the status of TUFS? What does this suggest?

Looking Back

At this point in the class, it is appropriate to ask the class to “look back”. The question is “in hindsight, should Northern have invested in TUFS”? The responses may surprise you. Typically, the class breaks into equal parts – one half suggesting that Northern was right to invest and the other saying that the decision to invest was ill-advised. Whichever side they take is immaterial but be sure to push the class to defend their answer. Typically they make statements like:

- Northern was correct to invest in TUFS because it promised to bring efficiency to the underwriting process and new opportunities for top line growth.
- Northern was mistaken to invest in TUFS because senior underwriting managers didn’t really appear to want to change what they were currently doing.

What is interesting is that, even with hindsight, it is difficult to argue that Northern should have (or not have) invested in TUFS. It is important to impress upon the class that simply installing a new system does not produce benefits. Benefits are produced by making appropriate changes to the work processes to capitalize on the capabilities of the technology; that is, “engineering the benefits” from an IT project. Other common frameworks can be appropriately introduced here; for example, the “people, process, technology” framework.

Discussion Questions

What went wrong with the TUFS investment and what can be done to prevent these problems in the future? While TUFS was supposed to streamline the underwriting process and deliver new online capabilities, it was developed by IT with little or no input from the business. As a result, the system reflects only IT's vision of this functionality. The business therefore must bear responsibility for not participating in the development of this project, which would have given them input into what was being done, insight into the assumptions that were being made and the opportunity to change what was being done if it didn't fit the business' needs. Furthermore, there appears to have been no formal project governance process managed by the business. Therefore, when IT needed to cut functionality in order to meet its time and cost objectives, it merely informed the business of what it was doing. There was no assessment as to what impact this would have on what was delivered in the end. IT and the business also had different measures of success. For IT, it was to deliver the project on time and on budget, even if this meant cutting functionality. For the CFO, it meant delivering cost savings. For the underwriters it meant having a system that was accurate and capable of delivering at least as much functionality as the old one. For other executives, it meant delivering new online capabilities. There was clearly a misalignment of value goals and business objectives in this project. Furthermore, no one in the business was held accountable for the results of this project. Therefore, they were unwilling to commit the resources and make the effort to ensure it delivered on its objectives. IT is responsible for not including training and help in its project plans.

In the future, all IT projects should have a business sponsor and a business steering committee, which would establish and monitor the benefits of the project as well as IT's deliverables. Major changes in functionality should lead to a reassessment of the benefits to be delivered. All participants – both business and IT – should be measured on these benefits. As well, no IT project should be undertaken without expert business resources participating, ideally fulltime. Finally, no IT initiative should be implemented without a value realization phase, where efforts are made to train staff in new procedures, fix problems and re-design business processes to complement the new system. Major errors need to be addressed as part of this phase through root cause analysis to prevent negative perceptions developing.

What does Northern need to do to realize the benefits that were projected for TUFS? It needs to do a thorough assessment of the problems being experienced with TUFS. This should be done by a joint IT-business team and should address the root causes of the problems being experienced. The joint team should then determine what business process changes and what system changes will be needed in order to achieve the project's functional objectives. This team will also determine what benefits should be achieved with the revised project, including cost savings and new capabilities on which further functionality could be built. The completed costs and benefits should be presented to a TUFS steering committee, consisting of the CFO, the CIO, and the relevant business executives. *Together*, they need to agree on what needs to be done. The entire business-IT team should then be held accountable for delivering on this plan – both costs and benefits.

How can they measure these benefits? All of the benefits of the new system should be identified, not simply cost savings. These could include: new growth possibilities for the organization and new foundational capabilities on which future development will be possible. Improved information, and other business benefits, should be articulated and then quantified

as much as possible. Ideally, a scorecard should be developed and delivery of these benefits should be monitored. Where the benefits change significantly, they must be presented to the TUFS steering committee.

Appendix A
Issues Discussion

Developing and Delivering on the IT Value Proposition. In this case, there are clear differences of how IT value is perceived:

- IT thought the value was bringing the project in on time and on budget, even if some of the functionality had to be deferred.
- The underwriters wanted an accurate system and improved functionality. They did not expect processes to have to change.
- The CFO expects cost savings in the underwriting department, i.e., reduced headcount
- Some executives (it's not clear who) wanted e-business opportunities to attract more business. These are taking time to deliver. Executives feel that they've been lured into spending money on this when it clearly wasn't essential to their business strategy. Even though the value of this component declined over time, no one took another look at this part of the project.
- The entire organization expected that technology could be plugged in and deliver value, without any recognition of the work the business would have to do. Here IT and the business didn't work together to deliver value.
- Even though this project was delivered on time and on budget, TUFs lacked a number of components that would ensure its success: business resources to participate in its development and implementation; no training or help desk support for the new functionality; no recognition of the need for change management or changed business processes.
- While efforts were made to correct problems, there was no value realization phase. Users experience significant frustration and resistance has developed as a result. Root cause analysis of the source of these problems appears to be missing.

Developing IT Strategy for Business Value

- There is no clear link to business strategy; this project was very unclear about its value and its objectives. There doesn't appear to have been a priorization process or any oversight (governance) over the project's general development.
- Business strategy changed over the life of the project but the project was not reassessed
- The benefits were not reassessed when the functionality was cut
- The project was extremely large, would have benefited by being "chunked"; this would have made it easier to better manage what was being done and some of the problems that arose.
- There were no apparent stage gates where the benefits and the costs could be reassessed.
- Although the project contained both revenue-generating and cost savings opportunities, only the cost savings appear to be important now. When and how did the business strategy change and why was it not reflected earlier in the project's requirements and plan?
- The business completely abdicated its role in this project, both at a senior level and at a practitioner level. Therefore, it is not surprising that it got an "IT view of the world".

Linking IT to Business Metrics

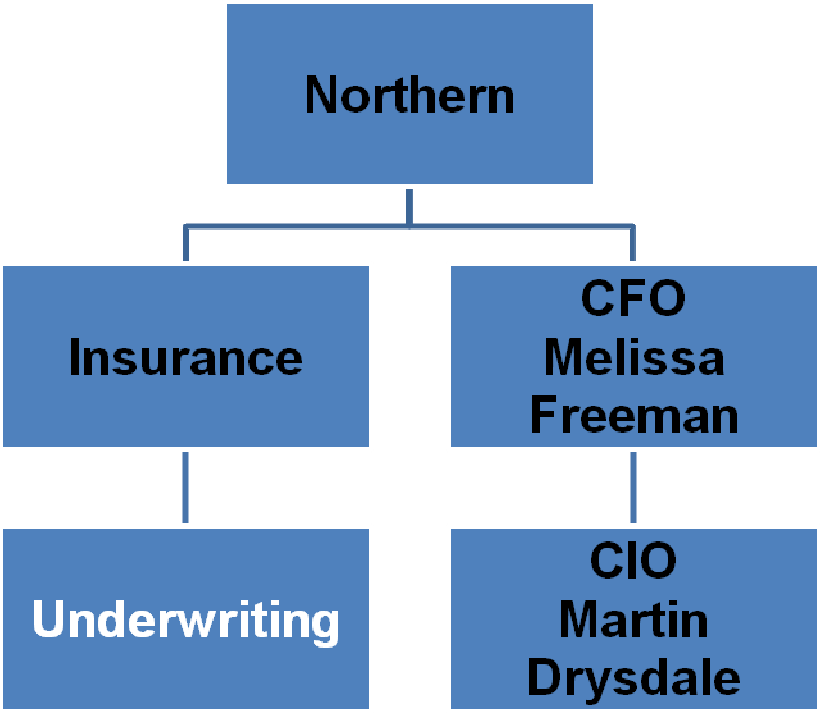
- No success metrics were established up front.
- Business executives and functional managers had no "skin in the game"; their success metrics were not link in any way to the success or effectiveness of this project.

- The only metrics that management is looking at is cost savings and increasing investment.
- The primary IT metric was delivery on time and on budget. This led it to overlook aspects of this project that would make it more effective for the business. Thus, it cut functionality in order to meet these project goals.
- IT appears to have no clear understanding about how the gaps in functionality and the errors are affecting the business.

Managing Perceptions of IT

- All parts of the business, the CFO and the underwriters, have a negative perception of IT. This is largely driven by the errors in the TUFS project and the lack of training and help provided.
- Drysdale is frustrated that neither group sees the good things about the system and are resisting using it.
- Nothing is mentioned about the e-business component of this project. It may be meeting the enterprise's needs for top-line growth but all the focus is on the problems of the system.
- There is a perception that the project is costing too much, didn't deliver the right things; didn't do things right and hasn't added value.
- In this case IT is failing at a competency level because TUFS is not meeting basic underwriting needs.
- While the project also implemented a strategic goal and was able to manage the project on time and on budget, these mean nothing because of the challenges meeting these level 1 needs.

Appendix B
Organization Chart



ModMeters
Teaching Note

Synopsis

When the CEO launches two new strategic initiatives requiring integration across all business units, the organization – whose IT decisions have been largely delegated to its business units in proportion to their revenue generating capacity – now faces the dilemma of how to prioritize its IT projects in order to support the new strategic "enterprise" vision.

Key Issues

1. IT is integral to implementing two new business strategies but there is little recognition by the executive team of its value. Each executive appears to have a different concept of IT value.

2. The lack of attention to refurbishing the infrastructure means that the bulk of IT spending is now focused "keeping the lights on". There is little foundation for building up new ventures and everything that is added increases the operational risk of failure – at major cost to the company.

3. The business strategy was developed without really involving IT in an effective strategy development process. As a result, IT strategy is clearly "mis-aligned" with what the CEO now wants to do for the enterprise.

4. While the CIO recognizes that investment in infrastructure and architecture will create a *capability* that will enable IT to be more responsive to the organization's changing business strategy, this is not recognized by the CFO or the business unit executives.

5. There appears to be no enterprise level prioritization process.

6. IT is seen primarily as a cost center. There is no recognition of non-financial measures – such as improved business capabilities, reaching new markets, or flexibility – might be important for the longer-term success of the enterprise.

7. The IT budget process is undermining the effective implementation of business and IT strategy.

Teaching Strategy

This case takes a "horizontal" slice through a number of coexistent issues (see Appendix A for a more detailed discussion of these). As a result, the challenge is "knowing where to start" – just as it is in real organizations – and this requires detective work.

The challenge facing ModMeters is made clear at the end of the case by Smith – "what we need is a *process* for IT planning and budgeting that will serve us well over the next few years. This process will need to accomplish a number of things:

- It will need to take an *enterprise* perspective on IT. We're all in these new strategies together.
- It will have to incorporate all types of IT initiatives – our new strategies, the needs of Fred and others for new IT to operate and improve our existing business, Stan's new auditing needs, and our operations and maintenance needs.
- In addition, we *must* find some way of allocating some of the budget to fixing the mess we have in IT right now.
- It must provide a better way to connect new IT work with our corporate objectives.
- It must help us prioritize projects with different types of value.
- Finally, it must ensure we have the business *and* IT resources in place to deliver that value."

But, before launching into developing such a planning process, it is useful for the class to clearly articulate *why* the current IT planning strategy is inadequate (as alluded to by Smith). A good strategy for opening up this discussion is to "play the Devil's advocate" and challenge Smith's assumption that the current process is not working by:

- Point out that Smith to be attributing a lot of ModMeter's IT woes (e.g., "spaghetti) to the lack of effective IT planning.
- Point out the fact that ModMeters is "the largest producer of metering components in the world" and "is making a reasonable profit" so things can't be "all bad".

Ask the class to first, describe the current planning process and second, outline the limitations of such a planning process. Clarifying the inadequacies of the existing planning process provides the focus for creating an improved process for ModMeters. Be sure to keep the organization chart (Appendix B) in view during this discussion. This will remind the class how R&D and marketing must be closely integrated with manufacturing in order to accomplish the two new strategic initiatives. With the current allocation process, R&D and marketing would not receive sufficient funding to be able to support the new strategy.

Once this groundwork has been laid, the class can collectively produce a planning process to meet the needs/goals as established by Smith. Basically, the class needs to produce a governance process for IT decisions. How this could/should be done are outlined in the next section.

Discussion Question

Develop an IT planning process for ModMeters to accomplish the demands as set out above. The first step in this process is to clarify the demands on IT and the resources that will be needed to accomplish them. "Programs" of work should be developed to specifically connect with the business value they will deliver (e.g., enabling the company to go global, developing the new customer channel, complying with government regulations). Each program should identify the value to be delivered, the business sponsor and stakeholders involved, the IT resources that are needed, and any prerequisite work that must be done. Conflicting work should also be identified (e.g., if Tompkins wants to do something in manufacturing that would conflict with the work being done in one of the enterprise projects.)

IT should also be asked to identify the internal projects it must undertake to ensure the infrastructure, info-structure, and architecture to support these new initiatives. The goal should be to identify "chunks" of value that can be delivered to support the business in meeting its objectives.

The second step is to align business and IT work with the company priorities. Here, it is important that *all* stakeholders be involved in deciding which programs of work should be done first. At this stage, using some sort of balanced "bucket" system of prioritization is effective. That is, different types of projects (e.g., business-enabling, infrastructure, business improvement) should be prioritized first against each other and then relative to the top priorities in the other buckets. Wherever possible, compliance projects should be integrated with other desirable programs of work. However, there may be a residual that simply *must* be completed and this should be identified. A steering committee consisting of the CEO, CFO, CIO and all business unit heads needs to be created to make these decisions. In this way, responsibility for business priorities is placed in the hands of the business. Next, the business must also decide how much it wants to spend on IT. This will, in turn, determine where to "draw the line" on which projects get accomplished.

Part of the process of understanding the value of each program and prioritizing will involve identifying the success metrics for each program. These should be framed in business terms (e.g., number of global sites up and running etc.). Again, these metrics will vary according to the type of value that will be delivered. Ideally, successfully achieving these metrics should be the *joint* responsibility of the IT program leader and the business sponsor and they should be jointly held accountable for results. Within IT, internal metrics should monitor and address IT's success in reducing the "spaghetti" and progress in developing and implementing an IT architecture. A "strategic imperatives" approach to metrics will likely help to align IT and the whole company behind the new enterprise strategies.

It is important to recognize that the enterprise strategy cannot be accomplished without some internal IT and infrastructure work being done. Similarly, there could be some high value, short-term, business improvement projects that will be highly desirable to complete for the business units. Balancing which projects will get done against each other is an art, not a science, and requires the participation of all business leaders and the CIO to get it right.

From this prioritization and general level of spending on IT, actual IT budgets must then be derived. Since at ModMeters, budgets are allocated by business unit according to size, a proportion of the enterprise and IT project costs must accordingly be allocated to each business unit. The alternative is to change the budget process, which will likely cause more upheaval than this company is ready for. Since all business leaders have participated in this process, and since some business unit-specific spending will still be allowed, a proportional approach will likely dampen, if not eliminate business complaints about the process. The key is to make the entire process transparent and to ensure that business decisions are made by the business.

Finally, IT needs to outline a plan to reduce its operational spending by developing a technology roadmap that will eliminate or replace outdated technology and applications. Application simplification, shared services and a stable infrastructure should all be part of this plan. The incentive for aligning business leaders behind this program could be increased IT spending for the individual business units for business improvement projects.

Appendix A
Issues Discussion

Developing and Delivering on the IT Value Proposition

ModMeters has two new business strategies and IT is integral to implementing both of them.

- The first value issue is that, while the CEO John Johnson sees significant value in these new strategies, the CFO is still committed to "keeping the lid on IT spending", and the Head of Manufacturing, Fred Tompkins only sees value in the IT that is spent in his business unit.

  The key value question to ask is therefore: Is IT going to be used for strategic, enterprise top line growth, or to improve a major business unit's effectiveness, or is IT a cost center? There is clearly significant potential for misunderstanding between the executives involved. At ModMeters, it appears there are several different concepts of the value of IT.

- The second value issue is that developing systems on a piecemeal basis has meant that the overall value of IT is reduced or declining. The lack of attention to refurbishing the infrastructure means that the bulk of IT spending (80%) is now focused on "keeping the lights on". There is little foundation for building up new ventures and everything that is added increases the operational risk of failure – at major cost to the company.

  IT is not able to be flexible or agile because its foundation is not strong. Value is also problematic because of the increased complexity and risk involved.

All of these elements of value must be prioritized and combined with the regulatory requirements which IT and the company must meet. Here, value is keeping the CEO and CFO out of jail! Timing is also an important consideration. Tompkins needs some improvements *now;* the regulators will only wait so long; refurbishing infrastructure and information must be carefully timed to support the new longer-term strategic initiatives; and this year's budget can only stretch so far.

Developing IT Strategy for Business Value

This case also illustrates some of the challenges involved in aligning IT and business strategy.

- While it is obvious that IT plays a major role in delivering the new capabilities desired by ModMeters, the business strategy was developed without reference to the IT strategy. The CEO is "consulting" IT without really involving IT in an effective strategy development process. As a result, IT strategy is clearly "mis-aligned" with what the CEO now wants to do for the enterprise. At ModMeters, IT strategy has been aligned with individual business units and what gets worked on is not based on value or enterprise strategy, but on the size of the business unit involved and therefore, its political and economic clout.

- The clamor of the business units for IT work, combined with IT's operational and compliance responsibilities, means that there is a significant danger of having too many and conflicting IT priorities.

- The CFO is compounding this problem by focusing only on the cost of IT and by having an IT budget process that allocates IT resources by business unit (see also the issues discussed around Chapter 7 below). This means that there is no budget for enterprise strategic initiatives requiring IT and that the individual business unit leaders will have to agree to give up some of their resources to accomplish the CEO's strategic goals – a challenge at best.

- While the CIO recognizes that investment in infrastructure and architecture will create a *capability* that will enable IT to be more responsive to the organization's changing business strategy, this is not recognized by the CFO or the business unit executives.

Key strategic issues in this case are therefore how to: a) prioritize IT initiatives – across enterprise, business unit, regulatory, and internal IT projects and b) how to better allocate IT budgets appropriately. A longer-term issue is how to better connect the development of business and IT strategy so that the challenges faced by Brian Smith in this case are better anticipated and planned.

Linking IT to Business Metrics

The biggest challenge in this case with regard to metrics is that the focus of the organization appears to be only on financial performance. The CFO emphasizes cost savings in IT and IT resources are allocated according to the business unit that brings in the most cash. There is no recognition that other types of measures – such as improved business capabilities, reaching new markets, or flexibility – might be important for the longer-term success of the enterprise.

While the company has two new business strategies, it has not developed any metrics for assessing their success or for assessing IT's contribution to their success. There appears to be no recognition that: a) IT's performance metrics might in some way be linked to the success of these strategic imperatives or b) that IT might in some way contribute to measures of organizational health other than financial returns e.g., customer satisfaction, process improvement, top line growth. Furthermore, there is no apparent connection between the measure used to evaluate IT, i.e., keeping IT costs down, and what the business wants to do. This lack of partnership is contributing to a significant disconnect between IT and the business.

The IT Budgeting Process

This case also illustrates some of the pitfalls in IT budgeting that often cause frustration and misalignment between IT and the business. Since IT budgeting is a corollary to IT strategy development, many of the issues identified in the discussion of Chapter 2 above apply. ModMeters illustrates how the institutionalization of IT budget processes can undermine the effective implementation of business and IT strategy. It highlights the limited amount of the IT budget which is typically available for strategic development and how uneducated or inappropriate cost-cutting measures, either by the business units being unwilling to share in infrastructure costs, or by the CFO being unwilling to fund infrastructure upgrading, can actually *cost* the enterprise. These costs come in four forms: a) reduced development

resources, b) additional costs simply to “keep the lights on”; c) increased operational risk; and d) inability to change or build on the existing IT foundational applications.

The lack of an enterprise-level IT budget illustrates by implication the challenges ModMeters will face in trying to implement its two major new strategic business initiatives with no idea where the IT resources will be coming from. In addition, it also suggests that there will be political challenges to overcome if IT resources are diverted from Tompkin’s manufacturing business unit.

The case also shows some of the challenges that are likely with budgeting processes that are built around the structure of the organization. At ModMeters, budgets have been used by the CFO to limit demand for IT resources and the allocation of these resources is not linked to enterprise business strategy or priorities but to individual business unit size and priorities.

Furthermore, as this case makes clear, the individual business unit heads, as well as the CEO, have paid little attention to IT’s resources when establishing their plans. They just “expect IT to make it happen”. The case shows that both *where* and *how* IT dollars are spent can have a significant impact on the implementation of business strategy and illustrates how these can both be problematic with current budgetary processes.

Finally, it shows how short-term, tactical needs can easily pre-empt strategic ones. In IT, the common practice of routinely allocating a fixed percentage of the IT strategic budget to individual business units makes it almost impossible to easily reallocate resources to higher priority projects at the enterprise level or in other business units and the siloed budgeting processes in this case make it difficult to manage the cross-business costs of strategic IT decisions.

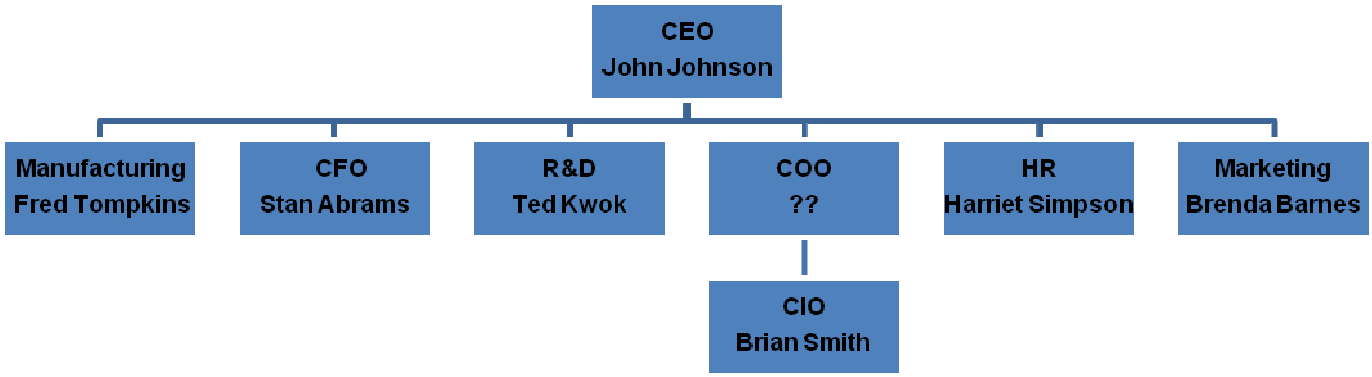
Other Issues Addressed in this Case

Managing Perceptions of IT. The misalignment of perceptions about where IT value is to be delivered and how to measure it clearly contribute to poor perceptions of IT at different levels and in different business units of the organization. Poor understanding of the IT prioritization and IT budget allocation processes also contribute to lack of trust in what IT is doing and what it is costing.

IT in the New World of Corporate Governance Reforms. This case alludes to the fact that some IT resources must be allocated to achieving regulatory compliance. It also suggests that problems with information and a lack of architecture may be making it more difficult to comply efficiently with regulations. The lack of processes suggests that there is a need for a better understanding of responsibilities and accountabilities (i.e., governance) for delivering value.

Creating and Evolving a Technology Roadmap. This case suggests that ModMeters has a patchwork of different technologies and that this is increasing operational costs and limiting what can be spent on strategic development. It also illustrates how planned investment in infrastructure (i.e., a technology roadmap) is part of developing an effective foundation for new business strategies.

Appendix B
Organization Chart



Delivering Business Value with IT at Hefty Hardware

Teaching Note

Synopsis

This case highlights a retail firm struggling to make sense of the increasing criticality of information technology (IT) to the business and the value IT is currently delivering. Torn between "keeping the lights on" and "delivering new products and services to customers", successive CIOs have failed to connect effectively with their business partners despite seemingly effective relationships at the mid-management level. How to collaborate effectively with the business *at all levels* remains the key IT challenge.

Key Issues

- There is increasing pressure on business to be more flexible and to deliver products and services to customers quickly. IT practices often inhibit these business goals.
- IT is expected to deliver both cheap, reliable operations AND create new business value. These goals can get confused by both business and IT leaders and leadership can mix these up when evaluating IT or when doing IT planning and budgeting.
- IT is a key player in delivering most business strategies these days. Too often, IT leaders see "getting to know the business" as secondary to almost every other IT issue, such as planning and architecture. Spending time in the business is seen as a "boondoggle."
- "Technospeak" is confusing and frustrating for business. This can work against IT plans and strategies because business leaders don't understand how these plans/strategies relate to their own needs, issues, and strategies.
- Business expects IT communication to be in business language.

Teaching Approach

As a start, pre-board the organization chart depicted in Appendix A. This helps to keep the various reporting and relationship roles straight.

Setting the Scene

This case takes a "horizontal" slice through a number of coexistent issues. As a result, the challenge is "knowing where to start" – just as it is in real organizations – and this requires detective work. The first task is therefore to highlight the issues. To do this, simply ask the class to identify all the issues presented within the case. They should identify the following at a minimum:

- The VP of Retail Marketing, a key driver behind the new "Savvy Store" program, recognizes the crucial role that IT will have to play but has no confidence that her IT counterparts within the organization will be able to "get this project off the ground". In fact, she wonders about "having to go outside the company" to get it done!
- Although relationships between the business and IT seem to work at the mid-management level (i.e., Glen Vogel, the COO, really likes his IT account manager, Jenny Henderson, who "sits in on all our strategy meetings and seems to really

understand our business"), at the project level the "IT people don't even know some of our basic business functions, like how our warehouses operate".

- With respect to the contribution of IT to the business, Glen Vogel clearly distinguishes between the "good, cheap, reliable computer operations" where IT is delivering value for the money, and to the creation of new business products and services where "we don't feel IT is contributing". The VP of Retail Marketing doesn't see how IT is contributing to the execution of the business strategy.
- But the problem is as much on the business side as the IT side. The example of the CIM project demonstrates how the business is not "on the same page with itself." The business assigned their most junior people, failed to agree on a "version of truth," insisted on workarounds, enhancements, and exceptions. Jenny suggested that "it would be a lot easier for us in IT if the business would get its act together about what it wants from IT." Basically, it is difficult for the IT organization to contribute to the execution of the business strategy when the business strategy is an ever-moving target.
- The severity of the disconnect between IT and the business becomes apparent when the COO's invitation to the senior IT executives to accompany him on a trip to "see what it is *really* like in the field" is viewed by the IT executives as an unnecessary "boondoggle" that would keep them away from their more important work – clearly a case of misaligned priorities!
- Farzad's immediate solution to send Jenny and Joyce (the new intern) on the field trip with the COO, instead of the five senior IT executives, reveals a lack of political awareness on the part of the CIO.
- There is a huge communications gap between IT and the business as exemplified by the R&D guys' presentation on how Hefty could benefit from the new mobile capabilities which was seen as technical "mumbo-jumbo" by the business. This gap is so significant that, according to Jenny Henderson, the IT guys didn't even understand "why the business couldn't see how these bits and bytes they're talking about translate into something that it can use to make money."
- CIOs at Hefty turn over every two years as a result of various causes such as "a major application crash, plummeting user satisfaction, complaints about IT costs or an expensive new system failure."

Analysis

Once the issues are on the board, you can invite the class to summarize the situation at Hefty based on the evidence in front of them. There are a number of issues in the case but the students should be able to focus them down to two key challenges which are highlighted in the case. First, Jenny Henderson suggests that "a practical goal would be to find ways for business and IT to work collaboratively at all levels." Then she goes on to elaborate that the business and IT "each hold pieces of the future picture of the business … we need to figure out a better way to put them together than simply trying to force them to fit." Second, the question in Glen Vogel's mind was how could the business and IT work together to deliver the Savvy Store vision "when IT was essentially operating in its own technical world, which bore very little relationship to the world of business"? So, the first challenge is one of ***collaboration*** while the second is one of ***communication***. This case illustrates what happens with ineffective communication and ineffective collaboration.

There are a lot of different possible solutions to address both the short term needs and the long term needs at Hefty but what is most important is that students make sure that their solutions address both the communications challenges and the collaborations challenge. Addressing only one of these would not be effective. For instance, an issue that requires immediate attention by Farzad is to respond to Glen Vogel's invitation to join him on a field visit. Rather than simply agreeing (in spite of the other pressing issues he and his team are facing), students might

suggest that Farzad meet with Glen to discuss not only the timing of the field trip but its overall goal in order to outline some deliverables for the field trip. Students should recognize the importance of effective communication here; that is, Farzad must convey to Glen that he understands the reason for the field trip and communicates its value to him and his staff personally. With respect to collaboration, perhaps the field trip could be tied directly to the Savvy Store program with the deliverable being a detailed implementation plan to best accommodate the intricacies of the retail outlets. This would be a good overall recommendation as it would constitute effective communication as well as effective collaboration.

Discussion Questions

1. **How effective is the partnership between IT and the business at Hefty Hardware? Identify the shortcomings of both IT and the business.**
   The business-IT partnership is problematic at Hefty. While IT seems to be delivering reliable cost-effective operations, it is not partnering effectively with business to deliver on the new business strategy. The CIO is relatively new and most of his senior managers appear to be "techies" who pay more attention to internal IT matters, such as planning and architecture than to business. Business leaders doubt that IT really understands the new strategy and that it can deliver on it. Communication with business leaders has largely been delegated to "relationship managers" who understand the business and can speak its language. However, communication with other parts of IT (e.g., R&D, development teams) is deemed to be unintelligible and executives are highly impatient with it as a result. IT leaders don't appear to understand corporate politics and the importance of building good relationships with other executives to get things done.

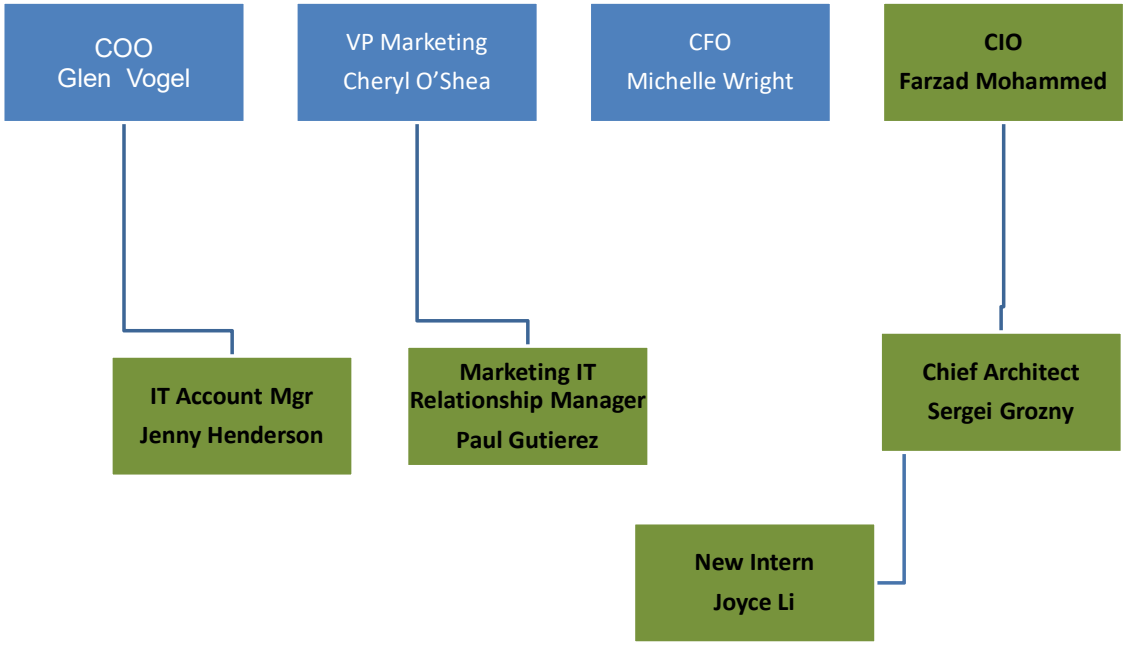
   On the business side, infighting between different business units causes lack of clarity for IT and increases development expense. Business leaders often confuse IT's goal of delivering new business value with the goal of reducing operating expense, leaving IT leaders confused about their priorities. Often they believe that changing the CIO on a regular basis will be more effective than developing a true partnership with him/her.

2. **Create a plan for how IT and the business can work collaboratively to deliver the *Savvy Store* program successfully.**
   Before IT can integrate its technology strategy with the Savvy Store program, its leaders need to understand it from a business point of view and see the need and the challenges involved. In addition, Farzad and his IT leadership team need to build stronger relationships with the business leadership team. The more each team knows about the needs and challenges of the other, the easier the integration will be. Furthermore, IT leaders need to be able to communicate their needs in terms of business issues and strategies, e.g., how integrated information is a key driver of the new strategy. All of these issues could be improved if Farzad and his team accept Glen's invitation to go on a road trip together. Better information will lead to more effective and business-centered IT plans; improved relationships will make it easier for both sides to resolve problems and see the other's point of view.

   While this may mean postponing some IT planning matters for a week or so, what will be gained will more than offset the lost time. On their return, the IT leadership team should together review the Savvy Store program's IT needs and prepare a prioritized list of projects and their key business value and costs. These should then be discussed with the business leadership team and consensus be reached about the top priority projects, their costs and benefits. IT should expect business participation on all its teams and senior business sponsorship of its projects and commitment to resolve business disagreements. This new

governance model will enforce partnership and ensure that both business and IT are committed to the same goals. Only then, should a timeline be developed to deliver on this strategy.

Appendix A
Organization Chart



Appendix B
Issues Embedded in this Case

IT Issues

- IT is expected to deliver both cheap, reliable operations AND create new business value. These goals can get confused by both business and IT leaders and leadership can mix these up when evaluating IT or when doing IT planning and budgeting.
- IT is expected to become more flexible to meet changing business goals.
- Communication from IT to business is often unintelligible.
- IT is a key player in delivering most business strategies these days.
- Too often, IT leaders see "getting to know the business" as secondary to almost every other IT issue, such as planning and architecture. Spending time in the business is seen as a "boondoggle".
- "Technospeak" can often work against IT plans and strategies because business leaders don't understand how these plans/strategies relate to their own needs, issues, and strategies.
- Technical experts often cannot connect what they know to business needs. They are often too far-sighted for business.
- IT leaders do not make enough efforts to work with business leaders – often seeing their job as a technical one rather than a business one.

Business Issues

- There is increasing pressure on business to be more flexible and to deliver products and services to customers quickly. IT practices often inhibit these business goals.
- Business expects IT communication to be in business language.
- Business needs IT to be more in touch with key business issues, strategies, and models.
- "Technospeak" is confusing and frustrating for business.
- Business people often undermine IT's efforts through infighting and not being clear about their needs.

