

## “ICT is not enough. We need IT savvy”

e-business Center PwC&IESE

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**Cristina Puig, content coordinator of e-business Center PwC&IESE interviews the director of MIT Center for Information Systems Research, that participated in the VI e-business Center PwC&IESE event with the title ICT and Innovation: Are They Connected?**

### **What's an operating model?**

And operating model is the necessary level of business process integration and standardization for delivering goods and services to customers. Companies make two important choices in design of their operations: how standardized their process should be across operational units and how integrated their process should be across those units. In making these two choices, company management is targeting one of four operating models: diversification, unification, coordination, replication.

### **Strategy, innovation, IT architecture and operating model: in what order?**

The question of strategy is less important for this discussion because strategies change very fast. So instead of focusing on strategy, we focus on the operating model. So the first decision is, what is the operating model? So you pick which of the four quadrants you want to be in, for the company as a whole, and then you can do a second decision for each business. Once you know the operating model, the next step is the picture of how you will operate, and that's the enterprise architecture. And that enterprise architecture tells you what needs to be in the foundation. So the foundation for execution has business processes and IT. And then it also tells you the limits, which things you can't do. So this platform is only going to be good for a certain type of thing. So it puts some limits on the strategy. Now, of course, you can add some other things outside that limit, but it wouldn't be on this platform, it would be a standalone. So the order is: operating model, enterprise architecture, foundation, and then strategic initiatives.

### **What are the most common failures in the construction of enterprise architecture?**

The common reasons are that they don't keep one operating model, they keep changing. That's the first thing. Only a few companies make that mistake. The second mistake is they try to jump stages, and the problem is that organizations take quite some time to learn. Each stage has learnings. And if you jump the stages, the learnings that were in stage 2 that are important for stage 3 collapse, there's no foundation. So they lose action and slip backwards. So, for example, if you didn't... let's say you skip this stage, all these things in here that you put in place require learning for the people who are operating them to figure out how to do them well. If you go straight to here and put these in and these at the same time, you lose that momentum. But that's the second

problem. The third problem is that people feel that they can outsource the architecture. You can't outsource the architecture. That has to be a strategic decision. So businesses can't delegate it to IT, and IT can't outsource it. It has to be joint decision making, business and IT. And they need a picture, like the one from Metlife or ING to say, here is the future of our company, and every time we make a decision for a project, here's how it's going to fit in to this picture.

So without that clarity, and without the projects fitting in, mistakes happen, because they do other projects that might be sensible for the local manager but don't fit in to the overall architecture.

### **What skills are needed by a CIO who is going to face a process of enterprise architecture in his organization?**

Depending on which operating model the company. A CIO who's in diversification is providing shared services. That's a technical skill with a lot of focus on cost and reliability. That's a certain type of CIO. In coordination you need a different kind of CIO, very focused on data, providing a seamless customer experience. Here you need a completely different CIO again. In replication you need a CIO who has experience and an IT organization with business processes. So you need a completely different CIO for each of the four quadrants.

### **Do you think managers are hesitant to build an enterprise architecture because of economic costs?**

Actually, I think it's no cost, I think you get it for free if you do it properly. So companies are spending the money on IT anyway. Now, they have to spend the money towards a single picture of what the business would look like. So Metlife was spending the money anyway. Now, Spain is underinvesting in IT, so that may be a problem. You can't do this architecture without investing in IT. But IT is not enough. To get most value from IT you have to have two things: investment, and a set of skills and practices to use IT well. And we call that "IT savvy". The companies who have IT savvy *and* spend money on IT get maximum value. We've just been measuring this and it's pretty impressive. They get double the growth rate, good IT and good architecture very strong effects.

### **Is enterprise architecture key for successful IT governance?**

I would say it's the other way around. To have good enterprise architecture you have to have good IT governance. We argue that there are five things, one of them is enterprise architecture, the other four are: IT principles, how you're going to use IT, your operating model; two is the enterprise architecture; three is the structure; four is business application need; five is investment. You have to govern those five things. If you don't govern all five, you'll get problems. And so it's a two-way relationship, you need good governance to have an enterprise architecture, and you need an enterprise architecture to have governance.