

Strategy or Architecture: Where Should IT Be Focused?

Cristina Puig
e-business Center PwC&IESE
16/05/07



The director of the MIT Center for Information Systems Research believes that systems based on corporate architecture help maximize the value of technology by encouraging innovation and growth in companies.

Most companies try to optimize the value of ICT by aligning them with the corporate strategy. But is this the best approach? Peter Weill, director of the MIT Center for Information Systems Research, does not think so. In his opinion, and given that strategy can change rapidly, this formula ends up being detrimental to business innovation as it slows down the implementation processes. It is preferable to focus on the operating model, meaning that which concerns the level of business process integration and standardization, he said as advice to the executives in attendance at the 6th e-Business Center PwC&IESE Event, held this past March.

Weill, a researcher and the author of several books on the subject, says that the first step in adopting an architecture-based approach consists of choosing the option that is best suited to the company's business objectives, from among the four possible types: diversification, unification, coordination and replication.

The first of these, he said, is a decentralized model with little standardization or integration with the business processes. It is a practice used by companies such as Johnson & Johnson, which employ different operating models in their various business units.

The second model, unification, is largely centralized and characterized by a high degree of standardization and unification. Information technologies reinforce standardized business processes and provide global access to data, as is the case with Delta Airlines or Dow Chemical.

The third model identified by Weill is coordination, which is focused on integration and one in which the company's products are presented in a single way to the consumer. Weill cites Toyota Europe as an example of this model, one in which it is not necessary to establish specific business processes for each of the company's different units.

The fourth and final model is replication, which involves the standardization of business processes. With this model, used by such companies as Marriott, the different business units carry out tasks in the same way, using the same systems. And this despite the scarce interaction between them. Weill points out that things can be done outside that limit, but adds that "it wouldn't be on this platform, it would be a standalone."

Overview

Executives must accept that establishing a business architecture is a key decision, one which they should not delegate to their CIOs, nor can they outsource it. “It has to be joint decision making, business and IT,” he explained. On that note, Weill says that a common mistake is to “do other projects that might be sensible for the local manager but don’t fit into the overall architecture.”

Building the business architecture is a gradual process consisting of multiple phases, each of which provides the company with lessons that will be very useful as the process moves along. Skipping one of these phases could doom the project to failure, warns Weill, although he does cite ING Direct as one of the rare success stories to come from skipping one of these steps.

In short, placing the focus on business architecture will help prevent IT investment from being wasted, as long as it is in line with the design sought out by the company. However, for IT to be a real proactive mechanism in value creation for the business, Weill says it is necessary to keep know-how in mind, meaning the set of skills and resources for properly using IT.

Weill concludes by saying that companies with both factors double their growth rate, have solid IT and business architecture and are more agile. They are the ones that get maximum value out of IT, he says.

To find out More

Enterprise Architecture as Strategy: Creating a Foundation for Business Execution; Jeanne Ross, Peter Weill and David Robertson. Harvard Business School Press, 2006.

IT Governance: How Top Performers Manage IT Decision for Superior Results. Jeanne Ross and Peter Weill. Harvard Business School Press, 2004.