Enterprise Agility and Information Technology Management

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How do Firms Compete?

- **Stake-out a Strategic Position**
  - Strategic choice about how to perform activities different from rivals or similar activities in different ways
    - Choice of customer segments, products or services
  - Architect reinforcing activity systems

- **Leverage resources and competencies**
  - Rare, valuable, and inimitable
    - Assets
    - Core capabilities
    - Business partnership networks
How do Firms Compete?

- Seize strategic opportunities
  - Innovative business models
  - Innovative products and services, channels, and processes
- Maintain resilience
  - Prosper, despite changing economic cycles
  - Defend against threats and discontinuities in the business ecosystem
Agility: A New Corporate Orientation

- Ability of a firm to continually sense and explore customer and marketplace enrichment opportunities
- Mobilize appropriate configurations of capabilities and capacities to seize these opportunities
- Optimize with speed, surprise, and competitive success
  - Entrepreneurship
  - Resilience
  - Flexibility
  - Opportunism

Sense and respond “open” system
Why is Agility Important?

- Globalized and intensified competitive rivalry
- Accelerated velocity of economic cycles
- Blurring of industry boundaries
- Solution-centricity and customization of customer relationships
- Accelerated innovations in the business eco-systems and business models
- Significant IT-enabled transformation opportunities

- Firms that engage in continuous innovation sustain competitive advantage and superior financial performance
  - Incremental, architectural, and radical product or service innovation
  - Business model innovation
  - Customer and channel innovation
  - Operational innovation
  - Partnering, sourcing, and alliancing innovation

Competitive advantages are temporary
Agility: Problems and Exemplars

**Problems**
- Katrina breakdowns
- Pocket-PC launch crisis
- Cisco’s inventory meltdown
- Flu vaccine shortages
- SARS epidemic response

**Exemplars**
- Dell-Cisco-Wal-Mart mantras
- Cemex’s entrepreneurial disruption
- Bank of America’s Check 21 Initiative
- Wal-Mart’s Katrina Response
- GM’s On-Star Project
- Open source initiative
- EBay & Skype: VOIP-services
What is Agility?

Range of strategic behaviors

Strategic Action

Anticipate

Resiliency

Flexibility

Adaptive Agility

Entrepreneurial Agility

Respond

Lead

Disruption

Opportunism

Strategy Formulation

Sense
Disruptive Innovation at Cemex

Global Digital enables tracking of orders and payments

Transition from product selling (cement) to solution selling (ready-to-pour-concrete)

Cement trucks can deliver orders in a 20 minute window

Dynamic Synchronization of operations
Opportunistic Exploitation at Bank of America

- New image-based check clearing products, services, and technology to operationalize a new federal law, Check21, that went into effect October 28, 2004
  - Image replacement documents (IRDs) the legal equivalent of original checks
- Digitized processes ready for launch in mid-November
Flexible Responsiveness at British Airways

- Variety of business and IT-enabled threats and opportunities
  - Low cost carriers (not a level playing field)
  - Online selling and customer personalization
- Responsiveness innovations: Cost-competitive full service
  - Greater personalization
  - Self-service and other services convenience
Resilience at Cisco

- **Phenomenal Growth**
  - Infrastructure to support phenomenal market and company growth

- **Virtual Factory**
  - AutoTest
  - Single Enterprise
  - Direct Fulfillment
  - MCO

- **Process Optimization**
  - Collaborative Planning
  - Cost Process Optimization

- **Networked Virtual Supply Chain**
  - Supply Chain Visibility (E-hub)
  - Product Lifecycle Management

- **Slowdown**
  - Increase visibility and respond quickly to the dramatically changed market conditions

- **Recovery**
  - Fuel our increasing levels of productivity during a period of slower growth
Rethinking Strategy

Positioning

- Predict and commit

Agility

- Anticipate, sense, and improvise

Competitive success = Positioning + Agility

Positioning without agility erodes strategic advantage

Agility without positioning dilutes competitive gains
Rethinking Strategy

- Nurture multiple strategic behaviors and capabilities
- Entrepreneurial agility
  - Strategic experiments
  - Shaping business options
- Adaptive agility
  - Operational innovation
  - Offensive and defensive competitive moves
- Alignment
  - Leverage current business model
  - World class execution
Adaptive Agility at Nordea Bank

Transactions involving physical transfer of cash

Transactions [mill.]

2001 2002 2003 2004

CAGR -6.0%

-2.8% -11.7% -9.7%

Cash withdrawals from ATMs Payments through ATMs Manual transactions

CAGR

Digital transactions without physical transfer of cash

Transactions [mill.]

2001 2002 2003 2004

CAGR 16.0%

16.5% 7.9% 21.2%

Card payments Direct debit Internet payments (through Solo platform)

Source: Enders, Jelassi, and Harald, 2006
Adaptive Agility at Nordea Bank

Figure 6: The evolution of Nordea’s e-business services usage, 2002-2004

Expansion of e-Business Services

Source: Enders, Jelassi, and Harald, 2006
Entrepreneurial Agility at IndyMac Bank

- 9th largest mortgage bank in the US with a fast rise and innovative business model (23% annualized total return to shareholders, 1993-2005)
  - Design, “manufacture,” and distribute cost-efficient financing for the acquisition, development, and improvement of single-family homes
  - Fast response and convenience
    - 3-minute response for loan approval and rate lockin
    - “One-door” policy for generating multiple loan options
    - Delivery of offerings through multiple channels
The Building Blocks of Agility

Mastering change and uncertainty
- Entrepreneurial orientation
- Sensing capabilities

Enriching customers
- Customer-centric innovation
- Solution-centric innovation

Leveraging capabilities and capacities
- Assets and competencies

Building Collaborative Value Nets
### Implications for IS Executives

#### Strategic Imperative for IT

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<tr>
<th>Alignment</th>
<th>Adaptive Agility</th>
<th>Entrepreneurial Agility</th>
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<tr>
<td>Business Domain</td>
<td>IT Domain</td>
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<tr>
<td>Support Efficient Execution</td>
<td>Shape Business Vigilance</td>
<td>Shape Strategic Experimentation</td>
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<td>Platform for Productivity</td>
<td>Platform for Business Enablement</td>
<td>Platform for Business Futures</td>
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The IT Management Imperative

- What should be the value proposition of the IS organization?
- What should be the nature of the IS organization design?
- What capabilities should be the focus of the IS organization?
- What processes should the IS organization nurture?
The Value Proposition of an IS Organization

Source: Gartner, 2006
Changing Nature of the IS Organization

Driven by business and enabled by external consultants

Driving innovation

Delivering change

Supporting infrastructure

Outsourced to external services providers
Changing Nature of the IS Organization

1. IT leadership
2. Architecture development
3. Business enhancement
4. Technology enhancement
5. Vendor management

- Outsourced to external services providers
- Driving innovation
- Delivering change
- Supporting infrastructure
- Business aligned
Rethinking IT Governance

IT Governance Operations

Business Primary Responsibility

Demand Governance

(What Should the IT Organization Work On?)

Plan
- Business/IT Strategy Validation
- Business/IT Operational Planning

Implement
- Develop Demand Governance Processes
- Demand Governance Implementation

Manage
- Business Unit Prioritization
- Intra/Inter Enterprise Prioritization

Monitor
- Spending/Project Oversight
- Business Benefits Realization
- IT Value Assessment
- IT Gov. Effectiveness (Metrics)
- Board IT Governance

IT Governance Strategy

- Goals
- Domains
- Principles
- Decision Rights
- Styles

IT Management Primary Responsibility

Supply Governance

(How Should the IT Organization Do What It Does?)

- Architecture
- Security
- Corporate Compliance
- Project Management
- Multi/Outsourcing
- Supplier
- And so on...

Overall IT Investment and Expense
- Councils/Committees
- Issue Escalation/Resolution
- IT Investment Portfolios (PPM)
- IT Service Funding

Source: Gartner (October 2006)
# Rethinking IT Governance

## IT Investment Board
- Head of IT Finance (e.g. CFO of IT)
- CIO
- CFO
- Selected Business SVPs

## Business Technology Council
- Head of IT Strategy
- CIO
- Selected Business SVPs
- Head of IT Applications
- Functional Area Leads
- Client Relationship Managers

## Divisional Project Approval Committee
- Divisional Functional Heads
- Divisional CFO
- Divisional PMO and Finance rep.
- Divisional CIO, Divisional CTO
- Enterprise Functional Leads
- IT Directors

## Corporate Project Approval Committee
- Head of Portfolio & Program Mgt.
- Head of Enterprise Architecture
- Head of IT Strategy
- Business Strategy Analyst
- Finance Representative

## Office of Architecture & Standards
- Head of Enterprise Architecture
- Business Architects
- Technical Architects
- CIO
- CTO

## Office of the CIO
- Chief Information Officer (CIO)
- Chief Technology Officer (CTO)
- Head of IT Security
- Head of IT Risk
- Head of IT Finance
- Head of IT Strategy

## Project Teams
- Project Managers
- Developers
- Business Analysts
- Trainers
- Technical Analysts

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THE CENTER FOR LEADERSHIP OF THE DIGITAL ENTERPRISE
### Needed IT Management Capabilities

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<th>Managing Technology Investments</th>
<th>Strategy and Planning</th>
<th>Strategic Enterprise Architecture</th>
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<td>Portfolio and Program Management</td>
<td>Business-Driven IT Strategy</td>
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<td>Project Analysis &amp; Design</td>
<td>Strategic Sourcing and Vendor Management</td>
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<td>Compliance and Risk Management</td>
<td>Resource and Demand Management</td>
<td>Consolidation and Standardization</td>
<td>Application Portfolio Management</td>
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<td>Asset Rationalization</td>
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**Source:** Hoque et al, Winning the Three-Legged Race, 2006
A Portfolio Perspective on IT Investments

- **Infrastructure**
  - Business integration & flexibility
  - Reduced cost of operations
  - Standardization

- **Transactional**
  - Reduced costs
  - Throughput

- **Informational**
  - Enhanced control
  - Enhanced information
  - Enhanced intelligence

- **Strategic**
  - Innovation
  - Customer relationship
  - Competitive advantage

Source: Weil and Broadbent, 1998
Critical IT Management Processes

- Program and portfolio management
- Vendor and partner relationship management
- Architecture management
- Demand shaping
  - Catalyzing IT-based innovation
Summary

- Agility is an important strategic behavior and capability for most firms
  - Yet, executives must balance their attention between alignment and agility
- The charter of the IT function will expand to include efficient execution of current activities to enabling strategic experimentation and shaping of business futures