



Creating Business Value from Technology

by Alan Mumby



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Many Chief Executives suspect that the biggest wave of IT investment in a generation has produced disappointing returns for shareholders. Major projects for the internet, the year 2000 bug, European Monetary Union and Enterprise Resource Planning (ERP) have consumed huge amounts of capital.

Typically, CEOs lack the technical background to quantify what might be possible from IT investments. And yet they rely for planning and implementation on IT Directors who often lack the general business experience to enable them to see the big picture. This dilemma has existed for at least 20 years.

Demand is therefore increasing for IT Directors with broad business skills. That means the ability to go beyond running a technically efficient service operation to produce real business cost reductions or lay the infrastructure for increased revenues and profits; and to go beyond implementing technology to playing a pivotal role in realising the benefits.

■ Profile

A number of CEOs have recently challenged their IT departments to wake up to the need to create value from technology. IT Directors and Chief Information Officers with broad commercial wisdom and the tools to exploit it are rare. They face a bright future.

The most successful IT Directors and CIOs are easy to recognise. They mix with other executives on the management team and accept accountability for the delivery of value. They measure performance and push their teams to interact with and understand all branches of the company.

Many are not deep technologists. The pressure on CIOs to assume broader responsibility comes at a challenging time for those accountable for corporate information systems. Most companies are still dealing with the aftermath of the over-investment in IT, driven by that first

internet bubble and the recent wave of mergers and acquisitions.

Some are bringing formerly outsourced IT functions back in-house as the economic cycle turns and benefits are harder to achieve; others are exploring the limits of offshoring, and several public sector organisations are in the throes of a long-overdue upgrade.

Many enterprises have responded to renewed pressure to demonstrate value by placing the management of systems and business processes under a single director, the Chief Operations Officer. In the process, the IT Director has either disappeared or been edged out into a subsidiary role. This has also enlarged the agenda for those in the IT function, whose horizons are now being stretched to encompass business understanding.

Clearly, an IT Director able to command credibility as a general manager stands a good chance of becoming COO and even

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winning a seat on the board. The IT specialist still faces an important future, but can expect to see colleagues with business skills climb higher up the corporate ladder.

It is a healthy development, full of opportunity for IT people able to rise to the challenge.

■ Risk Management

IT directors who continue to specialise in implementation still have a vital role in supporting the value the business obtains from IT, even if they may not become COOs. Poor technical implementations can be a serious competitive disadvantage. As technology has become more pervasive across business processes, it now carries a much higher risk.

Examples include MFI, which ran into warehousing problems after an implementation went awry last year; Mothercare, which ran into supply problems connected with new systems, and a temporary collapse of sales and shipments at Screwfix during the installation of an automated warehouse.

Currently at least four groups in the FTSE250 are struggling to save major ERP projects from harming business performance. In the public sector, The Child Support Agency is running two systems in parallel for different customers until problems with a new system are resolved, with all the attendant confusion, cost and poor service that entails.

Those on lower rungs of the IT ladder should therefore get more involved with the business than was previously appropriate. Their task is not only to make IT investments pay but also to ensure IT does not destroy value. Efficient IT systems are no longer a luxury. They are a condition of staying in business. Companies which undervalue basic business systems and processes run value threatening risks.

The Board can ensure the enterprise has the infrastructure to enable it to fulfil its strategy by holding IT to account. A wise board will see IT as part of the business, not a mere supplier, and set its targets accordingly.

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■ Alan Mumby

Alan Mumby leads the CIO/CTO group and has been a headhunter since 1995. He is a member of the Board Practice specialising in Technology roles. He has a wide range of clients nationally and internationally across both the public and private sectors.
alan.mumby@odgersberdntson.co.uk

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South East England
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London
W1J 1JJ
020 7529 1111

Midlands
9 Brindleyplace
Birmingham
B1 2HS
0121 654 5900

North West England
Suite 16E
Styal Road
Manchester
M22 5WB
0161 498 3400

North East England
Springfield House
76 Wellington St
Leeds
LS1 2AY
0113 386 8500

Wales
13 Cathedral Road
Cardiff
CF11 9HA
0290 783 050

Scotland
Stock Exchange Court
77 Nelson Mandela Place
Glasgow
G2 1QT
0141 225 6320