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

Respond
- Resiliency
- Flexibility

Adaptive Agility

Lead
- Disruption
- Opportunism

Entrepreneurial Agility

Anticipate

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

Customer
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**

**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

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

Expansion of e-Business Services

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

<table>
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<tr>
<th>Business Domain</th>
<th>Alignment</th>
<th>Adaptive Agility</th>
<th>Entrepreneurial Agility</th>
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<tr>
<td>IT Domain</td>
<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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</table>
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?

Source: Gartner, 2006

The Value Proposition of an IS Organization

Source: Gartner, 2006
Changing Nature of the IS Organization

- Driving innovation
- Delivering change
- Supporting infrastructure

Driven by business and enabled by external consultants

Outsourced to external services providers

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

IT Governance Strategy
- Business Technology Council
- Divisional Project Approval Committee
- Corporate Project Approval Committee
- Chief Information Officer (CIO)
- Head of IT

Business Technology Council
- Head of IT Strategy
- CIO
- Divisional Functional Heads
- Divisional CFO
- Divisional PMO and Finance reps.
- Divisional CIO, Divisional CTO
- Enterprise Functional Leads
- IT Directors

Divisional Project Approval Committee
- Divisional Functional Heads
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Corporate Project Approval Committee
- Head of Portfolio & Program Mgmt.
- Head of Enterprise Architecture
- Head of IT Strategy
- Business Strategy Analyst
- Finance Representative

Office of the CIO
- Chief Information Officer (CIO)
- Head of IT HR
- Chief Technology Officer (CTO)
- Head of Vendor Management
- Head of IT Security
- Head of IT Application Areas
- Head of IT Risk
- Head of Portfolio & Program Mgmt.
- Head of IT Financial Services
- Head of IT Strategy
- Head of IT Communications

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

Roadmap
- Business Technology Council
- Divisional Project Approval Committee
- Corporate Project Approval Committee
- Office of the CIO
- Project Teams

The Center for Leadership of the Digital Enterprise
### Needed IT Management Capabilities

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<th>Governance and Organization</th>
<th>Managing Technology Investments</th>
<th>Strategy and Planning</th>
<th>Strategic Enterprise Architecture</th>
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<td>Strategic and Tactical Governance</td>
<td>Portfolio and Program Management</td>
<td>Business-Driven IT Strategy</td>
<td>Business Architecture</td>
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<td>Organizational Design &amp; Change Management</td>
<td>Approval and Prioritization</td>
<td>Strategic Planning and Budgeting</td>
<td>Technology Architecture</td>
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<tr>
<td>Communication Strategy &amp; Management</td>
<td>Project Analysis &amp; Design</td>
<td>Strategic Sourcing and Vendor Management</td>
<td>EA Standards</td>
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<tr>
<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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Source: Hoque et al, Winning the Three-Legged Race, 2006

### A Portfolio Perspective on IT Investments

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

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

- **Transactional**
  - Reduced costs
  - Throughput

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

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