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# Enterprise Agility and Information Technology Management

**Vallabh Sambamurthy**  
**Eli Broad Professor of Information  
Technology**

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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**



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# 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		Lead
<b>Anticipate</b>  <b>Strategy Formulation</b>	Resiliency	<b>Adaptive Agility</b>	<b>Entrepreneurial Agility</b>	Disruption
	Flexibility			Opportunism
<b>Sense</b>				

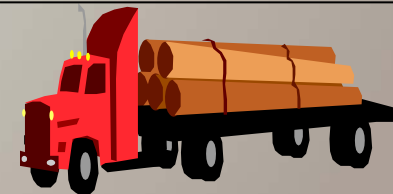
# Disruptive Innovation at Cemex

**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



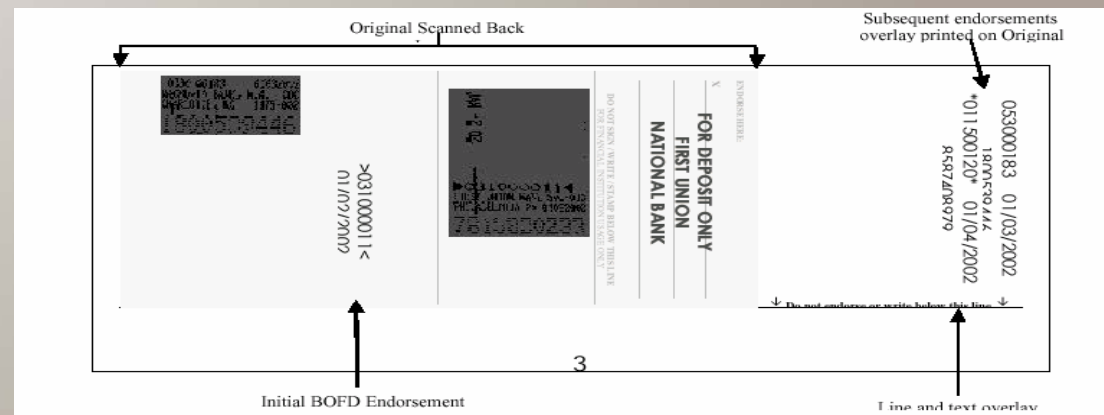
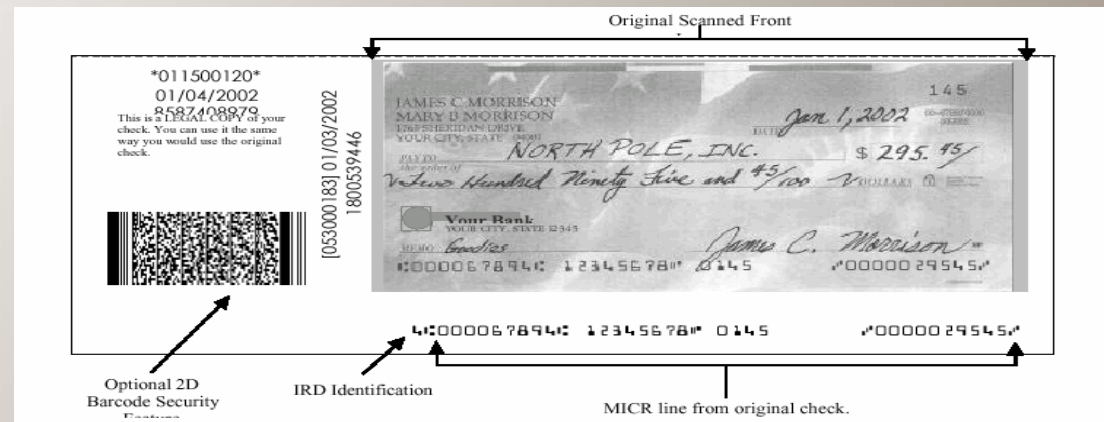
**Dynamic Synchronization of operations**



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# 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





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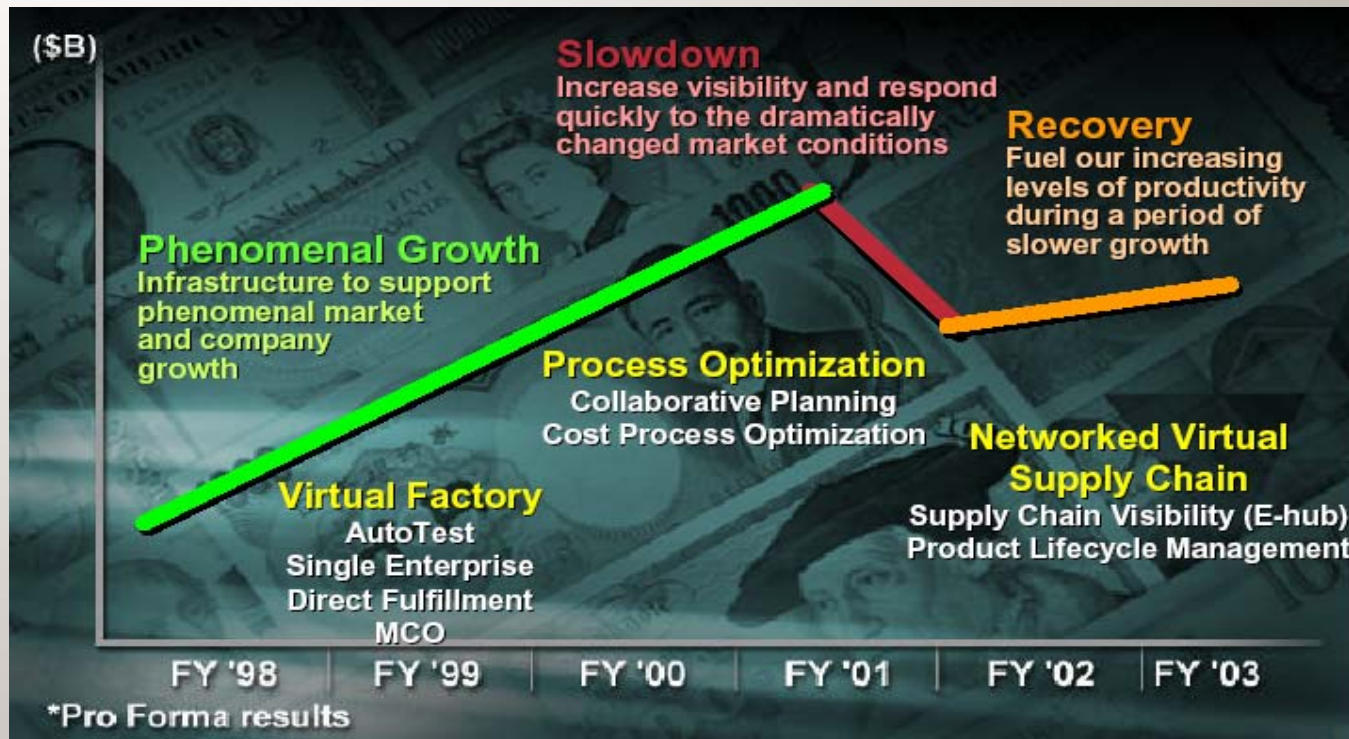
## Flexible Responsiveness at British Airways

- 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



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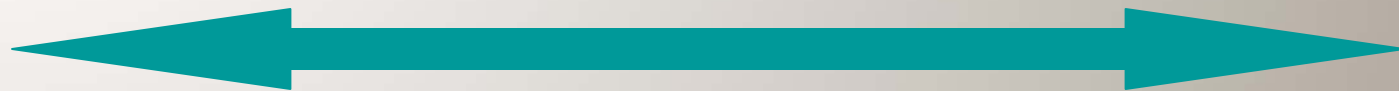
# Resilience at Cisco



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# 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

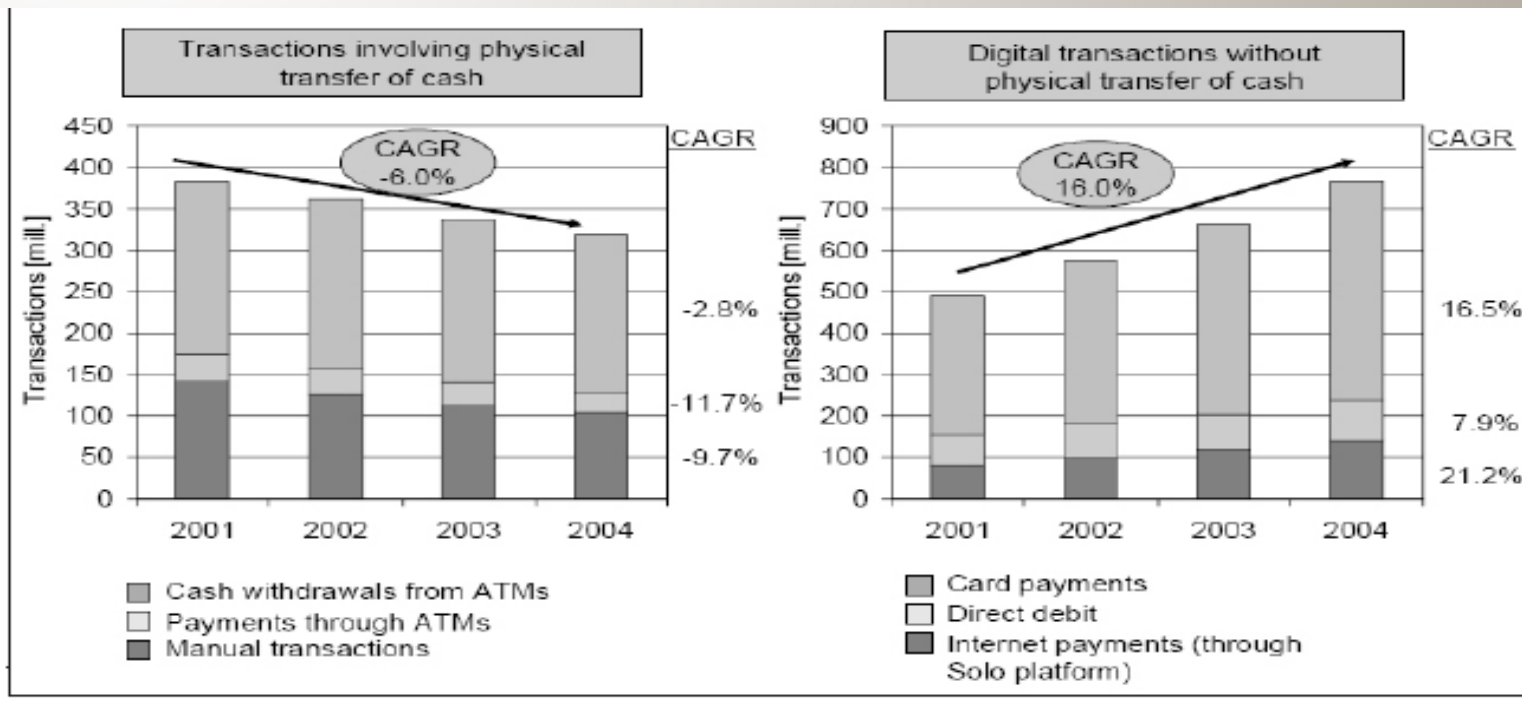
- Nurture multiple strategic behaviors and capabilities





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## Adaptive Agility at Nordea Bank



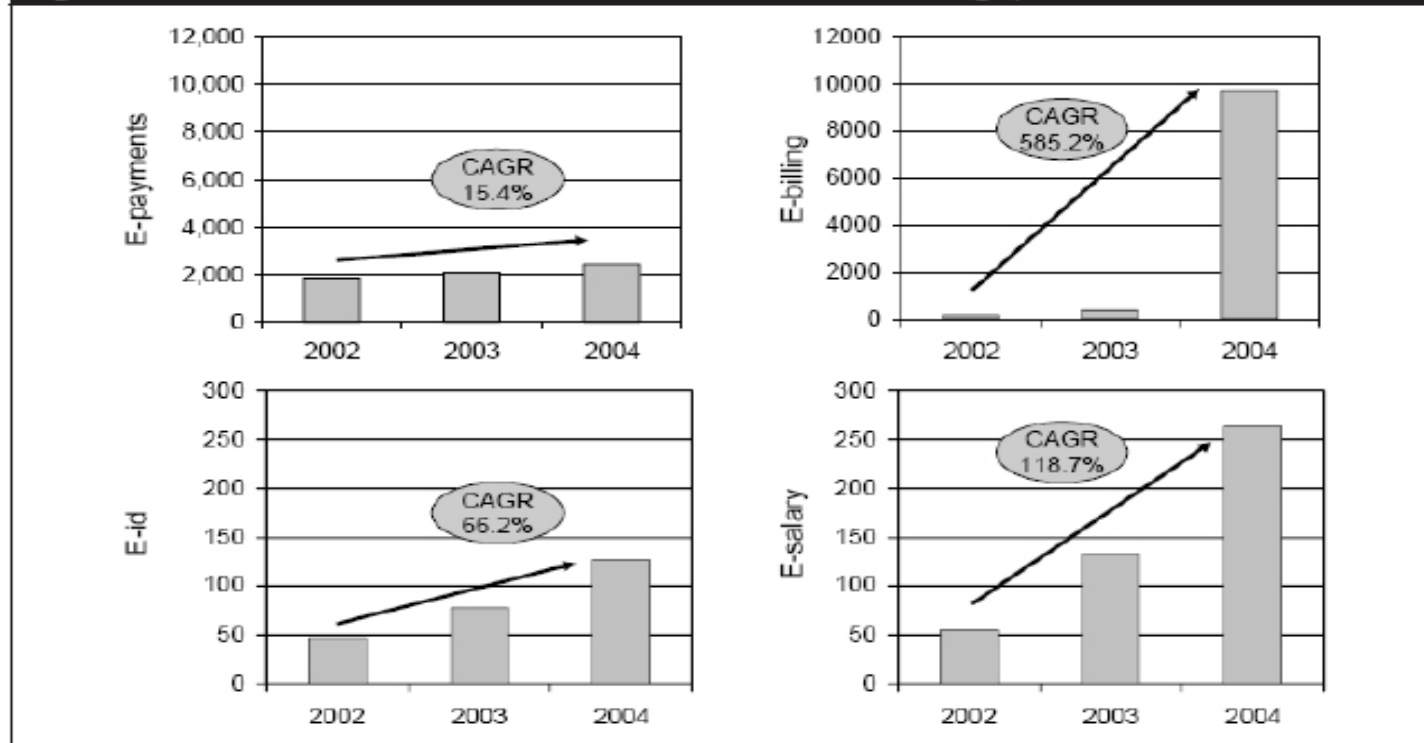
Source: Enders, Jelassi, and Harald, 2006



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## 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

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## Entrepreneurial Agility at IndyMac Bank

- 9<sup>th</sup> 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



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## The Building Blocks of Agility

Mastering change and uncertainty

- Entrepreneurial orientation
- Sensing capabilities

Enriching customers

- Customer-centric innovation
- Solution-centric innovation

Agility

Leveraging capabilities  
and capacities

- Assets and competencies

Building Collaborative Value  
Nets

# Implications for IS Executives

## Strategic Imperative for IT

	Alignment	Adaptive Agility	Entrepreneurial Agility
Business Domain	Support Efficient Execution	Shape Business Vigilance	Shape Strategic Experimentation
IT Domain	Platform for Productivity	Platform for Business Enablement	Platform for Business Futures

## The IT Management Imperative

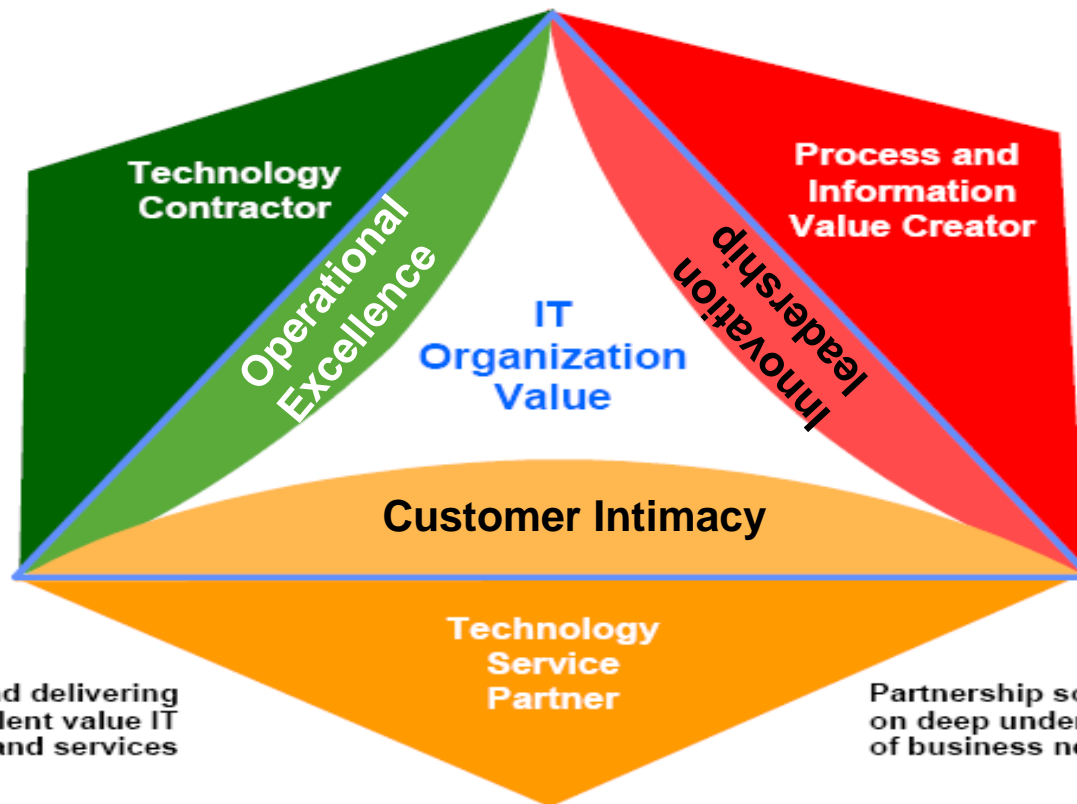
- What should be the value proposition of the IS organization?
- What should be the nature of the IS organization design?
- What capabilities should be the focus of the IS organization?
- What processes should the IS organization nurture?



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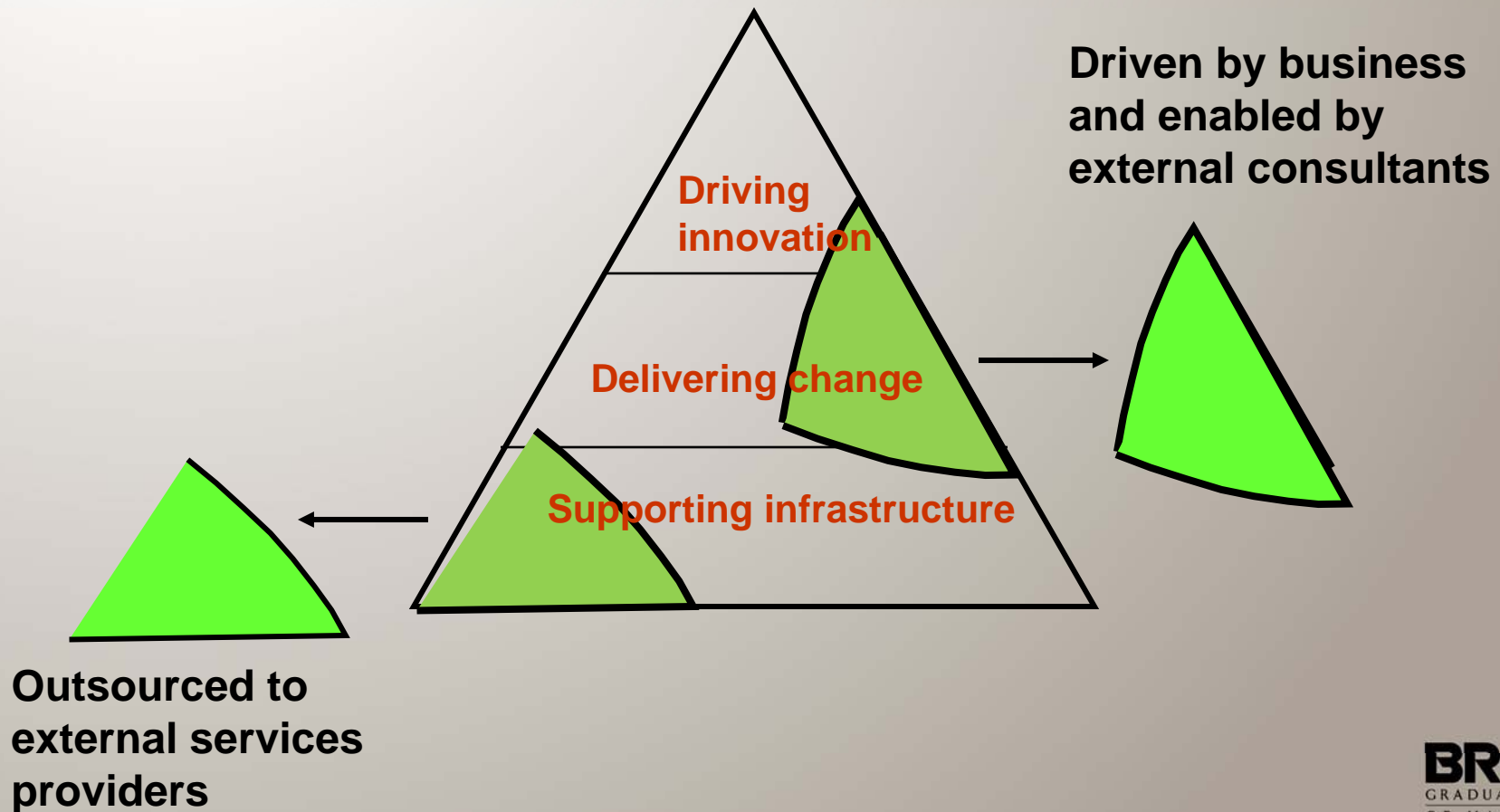
# The Value Proposition of an IS Organization

Strategic insight from understanding the connected economy and IT



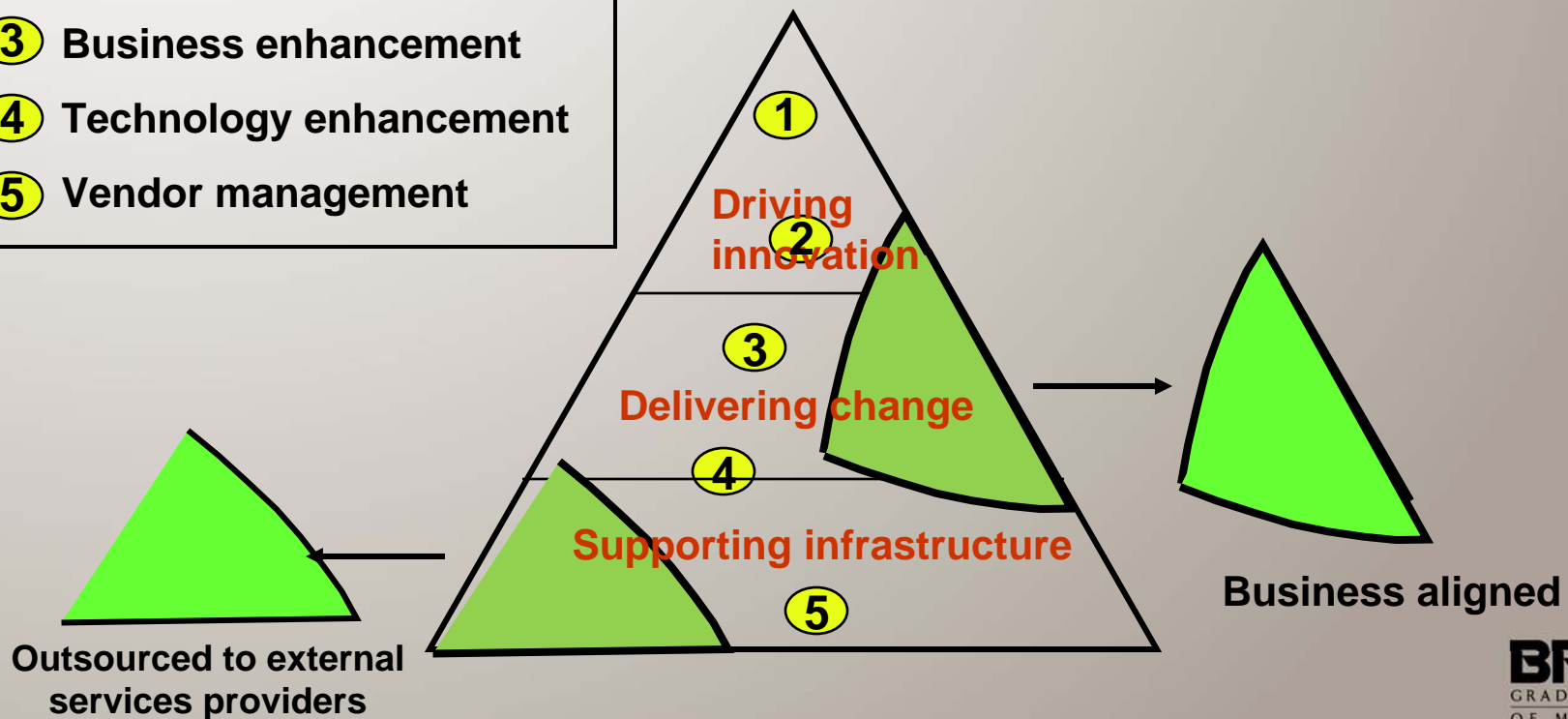
Source: Gartner, 2006

# Changing Nature of the IS Organization



# Changing Nature of the IS Organization

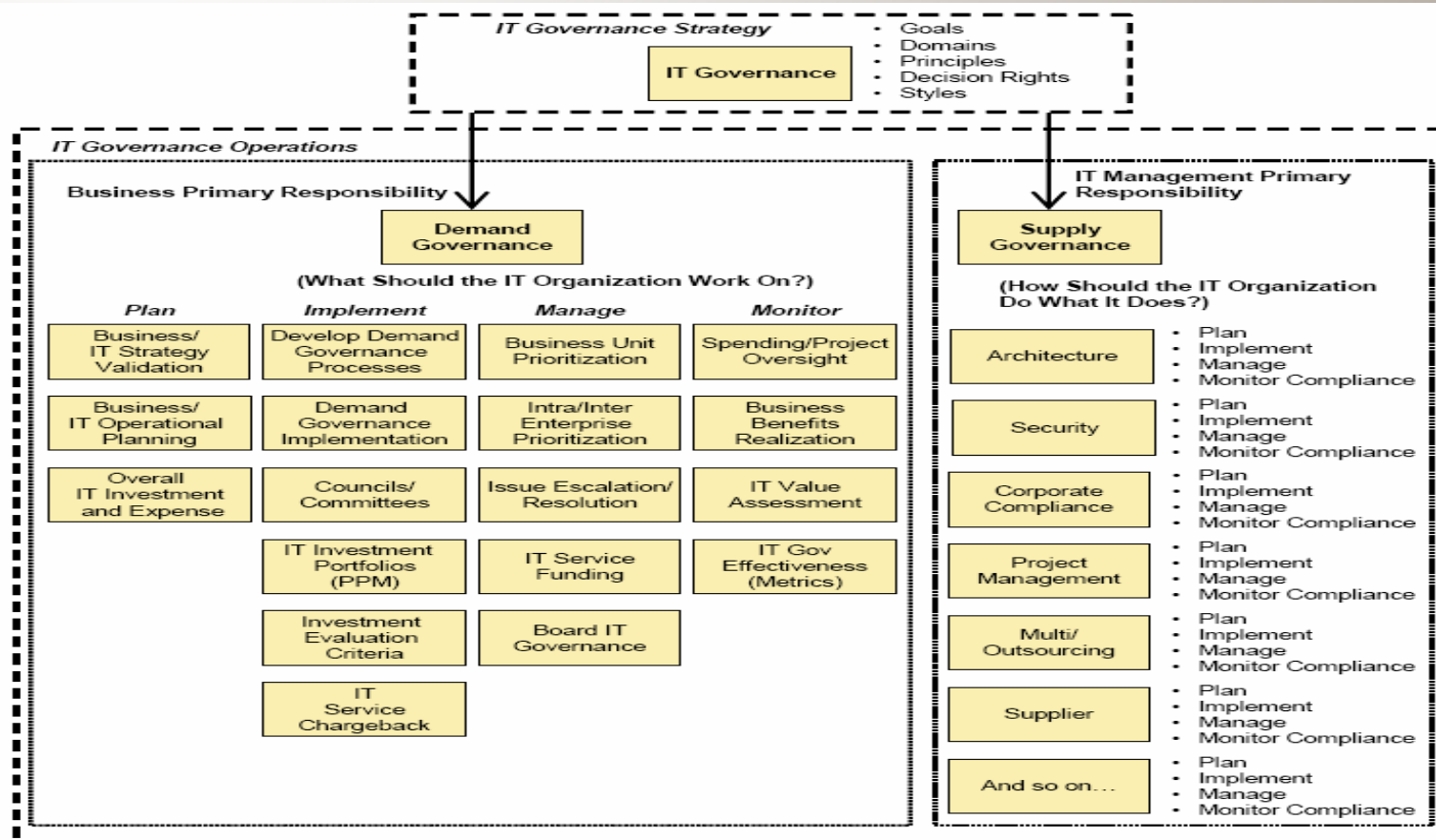
- ① IT leadership
- ② Architecture development
- ③ Business enhancement
- ④ Technology enhancement
- ⑤ Vendor management





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# Rethinking IT Governance



Source: Gartner (October 2006)

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# 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
- Head of IT HR
- Head of Vendor Management
- Head of IT Application Areas
- Head of Portfolio & Program Mgt.
- Head of Enterprise Architecture
- Head of IT Communications

## Functional Groups

- IT Director
- IT Strategists
- Business Analysts

## Project Teams

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

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# Needed IT Management Capabilities

Governance and Organization	Managing Technology Investments	Strategy and Planning	Strategic Enterprise Architecture
Strategic and Tactical Governance	Portfolio and Program Management	Business-Driven IT Strategy	Business Architecture
Organizational Design & Change Management	Approval and Prioritization	Strategic Planning and Budgeting	Technology Architecture
Communication Strategy & Management	Project Analysis & Design	Strategic Sourcing and Vendor Management	EA Standards
Compliance and Risk Management	Resource and Demand Management	Consolidation and Standardization	Application Portfolio Management
			Asset Rationalization

Source: Hoque et al, Winning the Three-Legged Race, 2006

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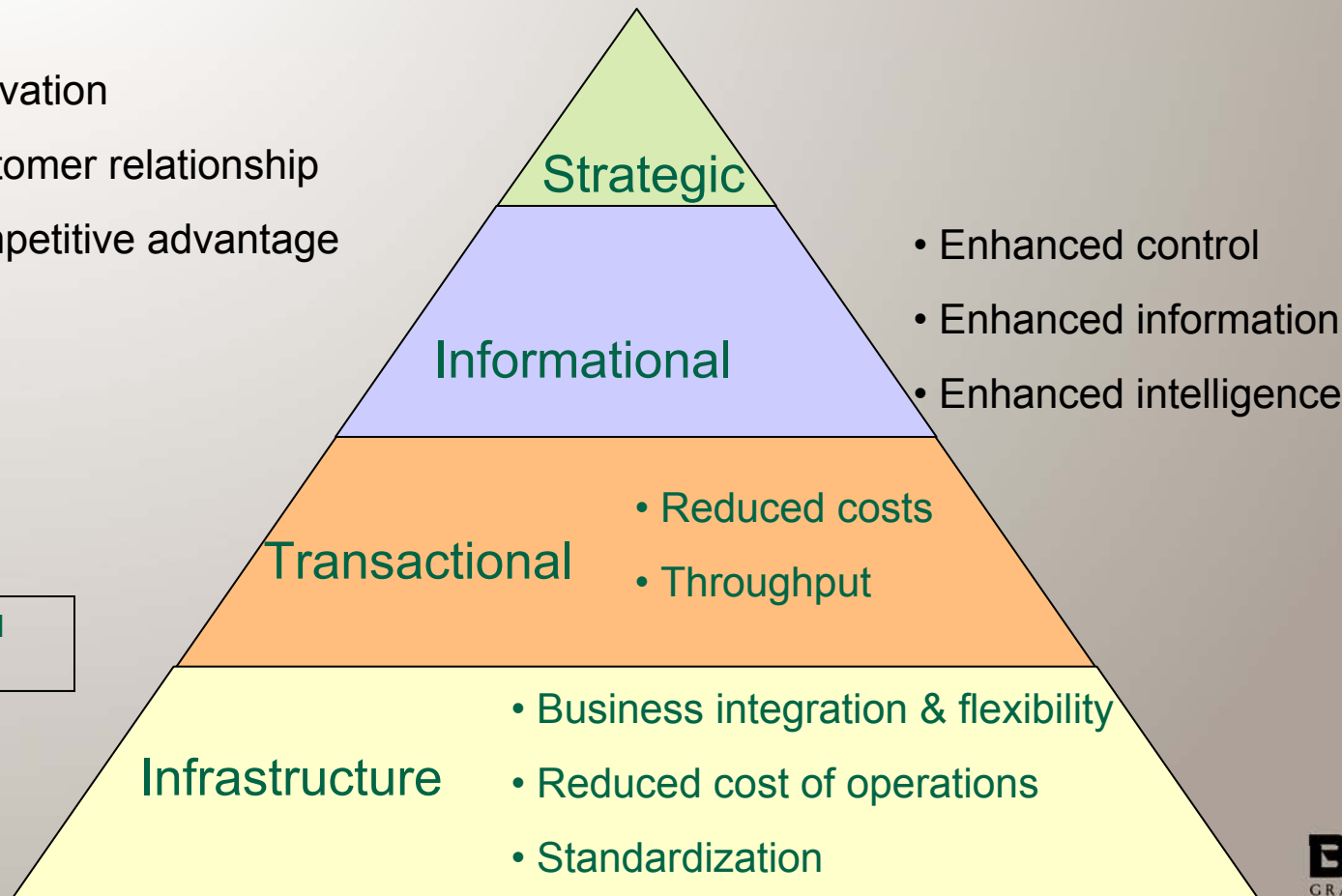




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# A Portfolio Perspective on IT Investments

- 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