



IT is not the silver bullet to business ills

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Design or execute?

How much of a car's cost is attributable to its construction? In the average movie budget, what proportion goes on shooting the action? And, on your local high street, what percentage of the price of a pair of shoes accounts for their manufacture?

In each of these cases - and many, many more - the answer is: maybe ten per cent. Ten per cent - maximum. Ninety per cent of the cost of producing a car is in the design phase. At least 40 per cent of the budget of most films is spent developing material before the shoot, and at least 40 per cent is spent afterwards on marketing and distribution. Most of the value in a pair of shoes is vested in the design, with supply chain efficiency making up most of the rest.

The same logic applies all around us. The value in a restaurant meal owes more to the recipe and the room than the ingredients. In pharmaceuticals, it's not what's in the pill that costs, but the discovery of what's in the pill. In the oil business, it's not pumping or refining or transporting - but knowing where to drill, and how to drill. In every business, the distinct, visible, operational dimension is the last place to look for competitive edge. What you can see, touch and trust is a commodity. It's the genius behind the tangible that deserves your real respect and attention.

In particular, the practice of *design* is key to the creation of value. Design applies before and after the creation or delivery process. So, Nike designs a great new pair of sneakers, and it designs a lightweight, extended enterprise to deliver the sneakers - with manufacturing sandwiched in the middle. Design is the differentiator, because anyone can execute. Execution requires competence, a level of organisation, and (usually) capital investment. Design, on the other hand, takes creativity - and time.

Successful businesses seek either to focus on being good at design, or being good at execution, but not both. That's why, in the pharmaceuticals business, new remedies are discovered and productised by nimble, specialised agencies, and then handed on to larger companies for manufacturing and marketing.

But for some reason, this generic pattern tends to be ignored when it comes to business support issues, and particularly IT. Suddenly, the 90/10 design/execute rule is flipped on its head. Decision makers rush to buy boxed solutions rather than exploring the problems and opportunities of the business. They then burn money on retro-fitting those solutions, attempting to match them to requirements that they still haven't articulated.



Why is this? It's because decision makers are hooked on the idea of a silver bullet. And why does anyone need a silver bullet? Because ordinary bullets just bounce off the monster they're trying to subdue. All too often - and however artfully it's dressed up - magic thinking stands in for rational decision making. But IT's not magic. And the business isn't a monster. It's just a bunch of people, making a big growly noise.

Stop: reverse: design

It's only human to want a quick fix. The IT industry peddles a seductive dream of power: a mighty package of information storage, transformation and communication capabilities that will give you business agility, cost effectiveness and certainty of purpose... "right out of the box". However, these capabilities are only *potential* benefits. They need to be directed in the service of clear business goals. No IT solution can substitute for real business leadership, no matter how fast or shiny it is.

To go back to the car analogy: IT can be a great vehicle, but it won't drive itself, or find its own route. You need to be driving it - that's doing all the day-to-day activities that keep it on the road; and you need to be navigating it - that's deciding about the journey.

Most organisations don't see IT as a vehicle, but as a drug, or a fuel. Unfortunately, the IT that so many organisations itch to buy is going to make them ill. At best, it'll turn out to be empty calories that provide no energy to the business. At worst, inappropriate systems will bring business processes crashing to the ground, alienate customers and employees, and destroy brand value. The long list of tanked public sector IT projects gives some flavour of the misery that awaits the unwary buyer, though the private sector has its own costly and equally lurid, but better hidden, catalogue of shame.

Senior business managers can - and must - choose not to join in this destructive, superstitious behaviour. IT is not going to save your business - unless you know precisely what it is meant to achieve for you, and why, and how. IT is not going to expand your business unless it's geared to a credible expansion plan. And IT is not going to cut costs from your bottom line unless you've identified a spread of items that are truly amenable to reduction via the application of some known, specified and quantified IT functions.

Few business leaders start with a blank sheet, so most of us inherit ongoing operations, and ongoing IT programmes. Walking away from a big project, and all its sunk costs, takes bravery. Calling a review is slightly less unpalatable, especially if your people are expecting to see a new broom taking some thoughtful action. A review can generate the decision data needed to confirm, modify or cancel a programme. Programme management structures always contain review points, but tough decisions about continuation are often deferred by in-place teams: new leaders may bring a fresh perspective that allows for new realism about goals and progress.

So, just as we can say with certainty that around 90 per cent of business value is vested in design activities, we can also predict that most businesses with large IT projects would benefit from a full aims-and-objectives review *right now*. The teams we'd exempt from this checkpoint would be those who can show - and make stand up - a fully detailed and up-to-date business case explaining how specific business goals will be met by the actual IT investments under way.



For organisations that need to stop, back up, and (re-)design the way ahead, there's a range of tried and trusted techniques for getting back on the business track.

If it ain't broke, you ain't looking

Nothing in business (or life) is perfect. But everything is perfectible. The processes we use to create value can always be improved. Often they can also be resequenced and recombined to generate new sources of value. Healthy organisations repair and renew their processes on a continual basis. They also look to repurpose their powers and their assets in the light of the changing business environment. Put it all together, and it stands to reason that however effective your organisation looks right now, it could be a whole lot better.

It's the job of business leaders to imagine the business anew, and to help create the steps required to realise a compelling vision of the future. That means leaders should be constantly thinking how to adapt, amend and even disable the business processes around them. Some leaders are. But the ones who are grasping at IT solutions aren't. The silver bullet may be small, but its dazzle is powerful. It can deflect the attention of the smartest decision maker, and in turn distract the organisation, leading it down a long and painful road to nowhere.

We don't for one moment believe senior managers think that businesses run, and lead, themselves. What we're highlighting here is the widespread tendency to think that IT can take over this responsibility. And the stark truth is that IT can't do that for you. IT can't design your business model. IT can't figure out how you make money, or how you differentiate yourself from your competitors, or how you capitalise on your assets. It can help you deliver the processes that feed those goals - but that's all.

One area where this distinction trips businesses up is *agility*. Every business wants agility - who wouldn't? The pace of change and the heat of competition demands that organisations respond with speed and certainty to threats and opportunities. IT can deliver agility as a capability: that is, it can empower your organisation to be agile. But IT can't, on its own, *enact* that capability. IT can't decide how and when and where and why the business should respond. It's just not that intelligent. You are, it's not.

Paving over the cow paths

Unless you're prepared to look coolly and objectively at your business processes, and to consider changing them, any IT programme you follow will add cost to the business without producing genuine benefits. Most leaders understand that there's no point in automating existing processes - and yet that's exactly what they do.

This may be because a kind of doublethink intrudes. The decision maker starts by taking a dispassionate view of the business, but then meets resistance in the form of process owners. These owners typically defend their existing practices, or build cases for new practices that just so happen to extend their own power bases. It's at this point that the courageous strategic leader begins to negotiate workable compromises between corporate needs and local ambitions. Yet this negotiation phase is usually jettisoned in favour of all-out capitulation to local demands - in the name of inclusiveness, or empowerment, or pragmatism. Vendors often build positions of trust in these situations by presenting their solutions as pre-built, optimised, make-everyone-happy answers.



In the absence of any explicit model of the business that can be shared (and argued over) by everyone involved, organisations will inevitably find themselves ramifying their existing processes, and even congratulating themselves on the extent to which they're "speeding things up". It's as if we built roads by paving over the tracks made by animals, rather than deciding on the routes according to rational criteria...

Except, of course, that most roads on earth *are* paved-over animal tracks. The animals made those tracks as they crossed the terrain to find water. People are animals too, and we've followed those paths, and built our cities to take advantage of the same natural resources. Cows know a thing or two, clearly. What they don't know, is that the water's *gone*.

You could spend years of your organisation's time and devote precious masses of its resources to paving its cow paths with glittering IT. And the system would work - as long as the goals that those pre-existing processes met are still operative. If the water's still there, you may as well follow the cows. However, ninety-nine times out of a hundred, you know for a certainty that whatever circumstances drove the creation of yesterday's processes, today's circumstances are radically different. The landscape is in flux. Not only do you want to avoid paving over existing, well-worn practices, you want to avoid doing *any* paving.

The monster is a shadow

IT is no silver bullet because the business is no monster. What we perceive as chaos is simply complex behaviour happening in real time. The inefficiencies that seem to have lives of their own are the direct, willed results of our actions and inactions as leaders. *We* are the business. What we all do, every day, *is* the business. And we can change any and every element of that behaviour. *Then* and only then can we look for some help from IT and not before.

The glint of the silver bullet is nothing next to the steady light provided by the clear intelligence of committed people, freed of the demand to respect existing practices just because "they work", undistracted by the promise of magic solutions, and encouraged to articulate the business anew. All IT can do is provide better, broader and more timely information to feed into decision making, or streamline business processes. As the people who drive, inhabit and benefit from organisations, it's down to us to make those decisions, and to define those business processes. If we shine a bright enough light, the shadow-monster will disappear.

It's our belief that leaders who shift the emphasis in their organisations from execution to design will reap the biggest rewards in the coming years. Design the business, and then hook IT up as an execution engine. That's the way to drive up value, and the way to win.

Procertis Ltd are a business solutions company specialising in helping organisations extract maximum business value from their IT investments. We do this by thinking about technology only when we have understood the business. For further information tel. + 44 (0)1926 400822, email info@procertis.com or visit www.procertis.com