

Information Systems: A Strategic Lever for Competitiveness

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TO DIFFERENTIATE YOUR BUSINESS FROM THOSE of your competitors, your performance and its impact on every customer touch-point — e.g., your product, salesperson, call center or web site — matters.

In today's global economy, sustainable profitable growth requires you to consistently execute your processes to retain your current customers and consistently look for new businesses using your differentiated/scalable capabilities. An example of this is Apple. The iPhone improved Apple's core PC business while enhancing the company's product lines. The royalties to Apple on iPhone accessories sold by others are comparable to the profits Apple makes from the iPhone itself.

As a CIO you may not be able to control the world but you can manage how it affects your business by redirecting resources and rapidly developing and deploying capabilities. Companies win or lose depending on their capabilities. Winning companies build new customer bases, deal with external events (e.g., commodity and fuel cost increases), or accelerate the new product/service development cycle, as Whirlpool did with Maytag and Procter & Gamble did with Gillette.

CIOs have a significant role to play in the development of winning business strategies. As part of an annual long-term planning process with the board of directors and the executive team, CIOs must identify capabilities that the company is missing and highlight areas in which the company is not competitive enough. CIOs have unique knowledge about the processes and systems that drive their businesses. For example, they are accountable for applications supporting end-to-end

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processes — e.g., Order-to-Cash, Requisition-to-Payment or Record-to-Report. They can provide leadership for continuous improvement and elimination of waste by applying lean techniques and automation. CIOs can also lead the effort to extend the company's capabilities to adjacent and to new businesses.

Most CIOs today are up to the challenge or indeed already positioned to contribute to business issue resolution. They can lead the application of technologies to create resources through increased productivity. They can lead the development and deployment of capabilities that enable allocation/reallocation of resources.

Those CEOs that are prepared to welcome CIOs onto their leadership teams and actively expose themselves to the new capabilities of the Information Age will position themselves and their companies for the future. I sincerely believe that CIOs are the least-capitalized resource in corporations today; many CIOs are either stuck under CFOs or hidden in the back office.

Corporate Responsibility and Sustainability (CRS)

IT IS CRITICAL (BUT RARE) TO EMBED CRS AMONG the key initiatives in annual and long-term business plans so accountability for CRS commitments can be driven throughout the organization.

How should CRS be included in the planning processes? Use guidelines relevant to your industry/company. Make people more aware of CRS initiatives with the goal of instituting these priorities into their work and home environments. For example, encourage employees to actively preserve natural resources, reduce their controllable carbon footprints and consistently recover and recycle paper, packaging and electronic components.

Every corporate IT function strives to deliver value through the creation of resources by simplifying the company's IT applications and infrastructure platforms. Why not create value at the beginning by measuring your IT carbon footprint and create an environmentally sustainable model? Going further, several decisions can be made using environmentally-sensitive certification (e.g., ENERGY STAR) as criteria for all the asset investment decisions. In addition, it will make sense to implement formal research and fact-finding about energy, paper and plastics consumption within your company. Make sure that your IT suppliers also support and participate in environmental programs and comply with your company's CRS efforts.

In this extremely challenging business environment, I believe CRS is a key driver of efficiency and effectiveness across the business. While many companies have made solid progress during the last several years, there is still more work to be done in Energy Conservation and Carbon Footprint reduction. Specifically, corporate IT should develop its CRS initiatives as an integral part of the overall corporate program.

Innovation as a Core Competency

SOURCES OF INNOVATION ARE NOT LIMITED TO specific individuals and functions. Unless innovation is relevant to the consumer, it is highly unlikely that

innovation in and of itself will create much value. The experience of knowing your customers and being a consumer of your own products and services is a great source of innovation. Companies wanting to innovate new products/services or processes must think about how to embed innovation as a core competency. This means defining processes, tools and skills to capture and identify ideas that are relevant to the business. Once ideas are captured, how you manage them and turn them into value-creating businesses depend on how effective your innovation process is.

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How you define "innovation" is also important. Innovation should produce unique and compelling solutions that are valued by customers and aligned to the business strategy (e.g., Apple introducing iPod as a complement to its PC business). Innovation should create competitive advantage and/or be part of a sustainable migration path (e.g., the creation of adjacent businesses for iPod — accessories, etc. — produced an additional profit pool for Apple via royalties from manufacturers).

Innovation creates differentiated shareholder value. External global events, for example, are out of your control but they may affect your business differently than that of your competition. You need to take advantage of your innovation process to deal with issues like fuel or commodity price increases that change your competitive landscape.

A company's IS function is uniquely qualified to provide innovation leadership through the adoption of both technologies and processes. Main sources of innovation for many businesses will include:

1. CUSTOMER INSIGHTS Understanding the needs and wants of your consumers, from data obtained from questionnaires, CRM databases, and other customer information.

2. CUSTOMER TOUCH-POINTS Once you've learned where and how your company intersects with its customers you can differentiate your products and services to gain competitive advantage.

3. CORE OPERATING FRAMEWORK OF YOUR COMPANY Always be better than the competition (e.g., speed to market, supply chain, etc.).

4. EXTERNAL GLOBAL EVENTS Make the most out of circumstances you can't control.

Business Intelligence

IT IS NOT EASY TO SEE INTO THE FUTURE. IN MANY cases, it is not even easy to see the present. Business intelligence is essential for companies today because a timely snapshot of the many dimensions of a business enables allocation decisions regarding people, time and financial resources. These dimensions could be Customer, Brand, Channel, Region, Country, and other elements of the business. You will differentiate your company from others by how well you can see the present and plan for the future.

It is a challenge for CEOs and other executives to embrace the importance of fundamental definition (i.e., master-data) of the business and understand how to enable such a multi-dimensional view. Visibility into dimensions that influence profitability – Customer, Brand, Channel, etc. – provides the information that CEOs need to change focus and revise resource allocation decisions. This is particularly important at the rapid pace of change in today's world economy. Paying attention to the basics, like knowing where your profit sources lie and where you should allocate your resources, has never been more important.

Effective corporate governance requires CIOs to provide leadership for business analytics and intelligence. Companies like P&G and Colgate Palmolive are game changers because they have already addressed the fundamental definitions of the business and developed global best-business practices for internal visibility.

These companies have also begun to enhance and

enrich the data contained behind their firewalls, which allows them to build business intelligence from their own experience. The size and content of the data on the web is greater than most companies can deal with but some of it can be useful. Winning companies will enrich their internal data with additional data from the web or syndicated sources, thus providing themselves with better insight and intelligence than the competition.

Sourcing

TO KEEP THEMSELVES COMPETITIVE, COMPANIES should focus more and more resources on innovation and value creation. In the current global business environment, companies should take advantage of human capital arbitrage to release internal resources to deploy common platforms and unique capabilities.

Your company has two important resource pools that should be tapped in turn to accomplish this goal. First, unleash the internal capacity of your organization. Second, collaborate with business partners and channel their resources to the innovation needs of your company. But how do you free up these resources? This can be achieved only by shifting work to places where lower costs and better quality are available for “keeping-the-lights-on” activities.

CIOs have accumulated unique experiences with service outsourcing over the past decade. At Coca-Cola Enterprises I have taken advantage of the mature market for outsourced IT services by setting up a Business Shared Services model for sourcing [with what result?]

In addition to alternative sourcing, how companies source goods and services in the global economy can be a competitive advantage. A few examples include finding alternate suppliers, having the ability to leverage on a global scale, and recognizing the impact of supplier acquisitions/mergers.

The ability to improve service level agreements (SLAs) year after year will provide needed productivity to create resources. CIOs should assume responsibility to enhance monitoring capabilities of SLAs and use of advanced analytics to rationalize their global suppliers/materials.

Conclusion

BUSINESSES TODAY LOOK FOR OPPORTUNITIES TO shift their resources to activities that create more value. Many Fortune 500 companies allocate more than 75% of their resources to “keeping the lights on”; less than 25% of resources are allocated for innovation and competitive differentiation. So instead of addressing 20 to 30 priorities beyond day-to-day activities, there may only be enough resources to tackle 4 or 5.

Companies that can increase productivity to satisfy additional business priorities will differentiate themselves. Next-generation tools and technologies (e.g., web 2.0, business analytics, service-oriented architecture, etc.) are already available for businesses to generate the additional productivity needed. However, without the underlying business processes in place and the talent to embrace these new technologies, realizing this gain will be a struggle. Therefore, it will be critically important for corporations to have an enabling IT strategy as an integrated part of their business framework.

Another challenge for corporations will be to attract and retain the next generation of talent and comply with their expectations. Gaining organizational effectiveness and efficiencies will depend on how well the new tools and technologies are applied.

The need to secure assets and intellectual property as well as ensure compliance with laws and regulations has never been greater. It will be critically important for corporations to create risk-based information security strategies to protect themselves and remain competitive.

CIOs are positioned as the link between many corporate governance issues. They have the ability to drive productivity to create resources for innovation, organizational effectiveness and efficiencies, operational excellence and security/compliance.

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