

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard  
Business  
Review**

# **RETHINKING THE IT/BUSINESS PARTNERSHIP TO DRIVE DIGITAL INNOVATION**

# RETHINKING THE IT/BUSINESS PARTNERSHIP TO DRIVE DIGITAL INNOVATION

Quickly delivering innovative applications to employees and customers alike is a top priority in the digital economy. But such agility requires big changes in how IT relates to the rest of the business.

Digital disrupters such as mobile devices, social media, and the cloud have fundamentally transformed information consumption and delivery, rewriting the corporate competitive landscape in the process. However, acquiring such digital agility often requires significant change to how the IT function operates with the rest of the business.

So how are companies doing? According to an online Pulse survey of more than 270 business and IT professionals by Harvard Business Review Analytic Services across a variety of industries worldwide, there's room for improvement. In particular, organizations must build closer ties between IT and the rest of the business—and reinvent technology infrastructures in order to support modern digital initiatives. In one key finding, nearly half of respondents said a lack of partnership between operational units and the IT department was a top roadblock to getting new applications to market.

## RESPONSIVENESS DRIVES REVENUE

Success in the digital economy is increasingly driven by a company's ability to leverage information for real-time decision making, or to improve customer experience via customer-facing products and services.

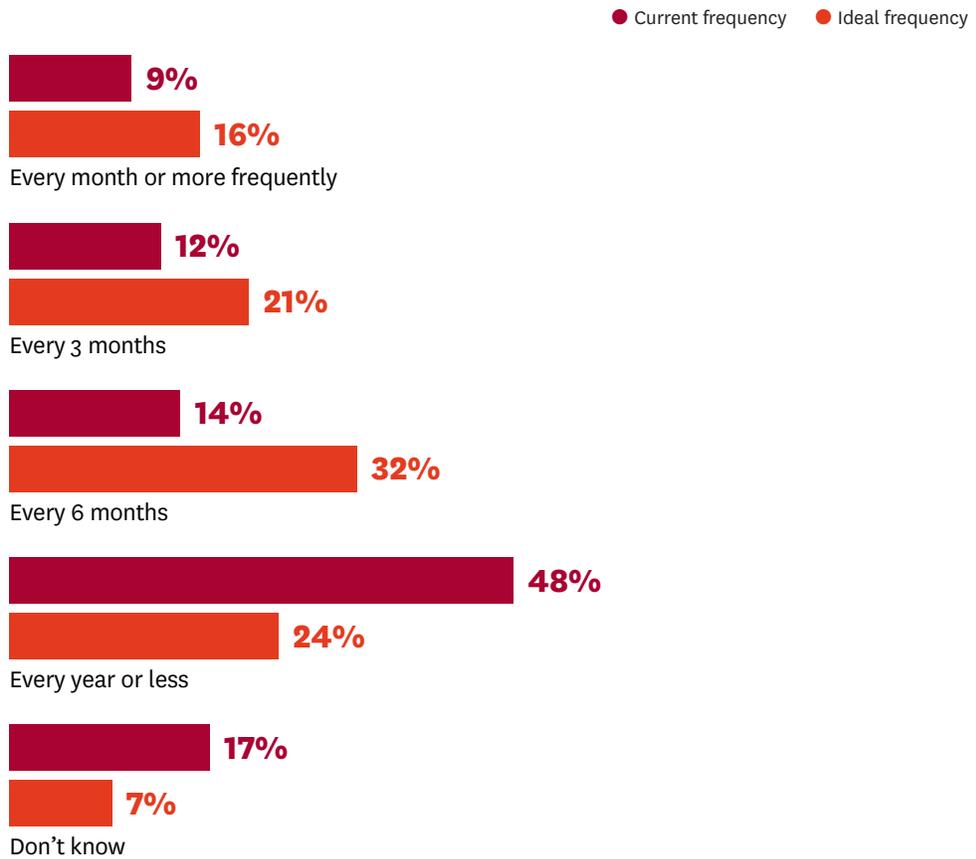
In fact, companies in the vanguard of this movement are already reaping significant benefits, according to cross-industry research conducted by Dr. Didier Bonnet, Capgemini Consulting's global head of digital transformation. Bonnet, along with MIT's George Westerman and Andrew McAfee, have found that such companies—dubbed “digital masters”—gain a decisive edge by melding digital technologies such as social, mobile, cloud, and analytics into their business

FIGURE 1

### LAUNCH SCHEDULES LAG BUSINESS EXPECTATIONS

How frequently does your IT department launch or update core enterprise applications that directly impact your key business objectives, such as generating innovative products and services?

What would be the ideal frequency to launch or update core enterprise applications with innovative new features?



strategy. “These companies are 26 percent more profitable than peers in their industries,” said Bonnet. “That’s not a small number—these people are performing better.”

In the digital economy, companies cannot afford to wait months for IT. Many business applications target highly focused business unit needs, such as the marketing department quickly building out a mobile app for the company’s digital initiatives. Those users increasingly expect a short turnaround time.

The survey, conducted in September 2014, showed significant line of business (LOB) interest in IT’s ability to deliver fast responses to all users. Respondents expressed pent-up demand for solutions that enable real-time decision making and improve the customer experience. Indeed, a majority deemed those factors very to extremely important. Yet the survey also shows that many IT organizations are not currently structured to support increasingly shorter application cycles. For example, respondents cited a significant gap between their IT department’s current application launch or upgrade cycle, and business-side expectations. Nearly half said new launches or upgrades happen only once a year or less. [Figure 1](#)

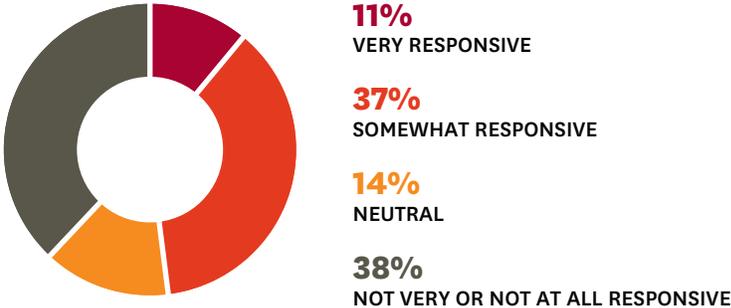
Besides IT not meeting their demands for new applications, less than half of respondents considered IT to be responsive to ever-growing user expectations. Indeed, only 11 percent tabbed their IT group as very responsive to providing new enterprise solutions, while more than a third said their IT group was either not very or not at all responsive. [Figure 2](#)

As companies increasingly embrace the promise of the digital economy, it’s becoming clearer that agility is a critical success factor driving IT and business changes. “Companies need to get applications out extremely quickly—and it fundamentally changes not just the way you do IT, but the relationship between IT and the business,” said Bonnet.

**FIGURE 2**

**IT RESPONSIVENESS FALLS SHORT**

How responsive is your organization’s IT department when it comes to providing new and innovative enterprise software applications/solutions?

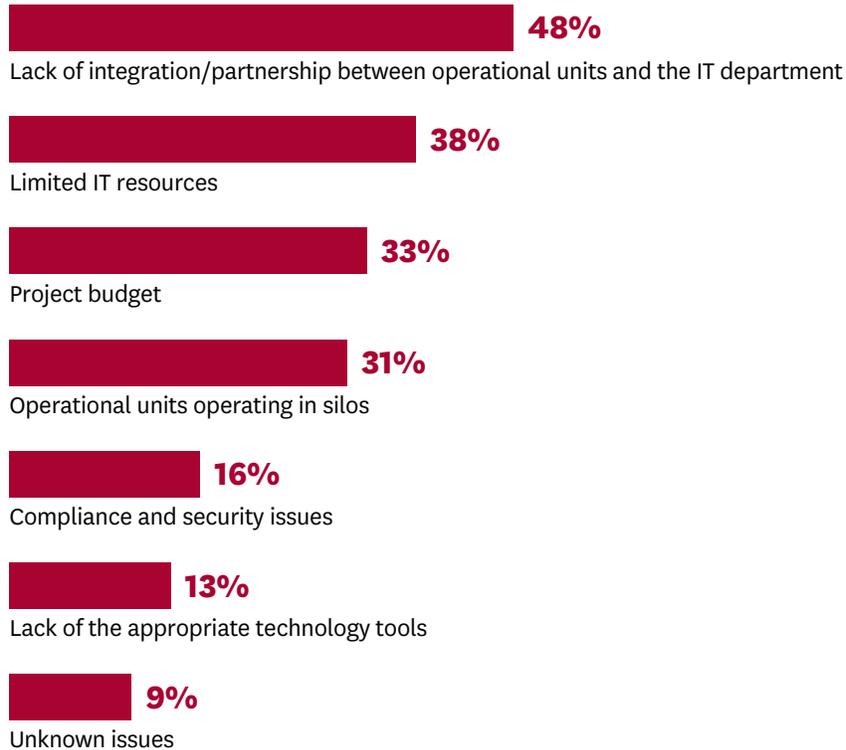


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**FIGURE 3**

**INNOVATION ROADBLOCKS**

What are the top two challenges for your organization in getting new and innovative enterprise applications to market?

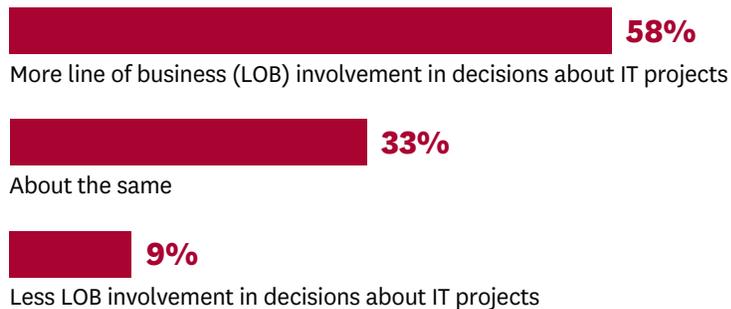


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**FIGURE 4**

**RISE IN DECISION MAKING**

How do you think your organization's decision-making process will change over the next three years when it comes to the involvement of your line of business (LOB) managers in the development of innovative IT applications and services?



## RESOURCES NOT THE ONLY ISSUES

Lack of budget and limited resources are the two factors typically limiting an organization from getting new and innovative enterprise applications to market. However, the most surprising finding from the survey is that nearly half of survey respondents report that lack of internal partnership is a top roadblock to digital innovation. [Figure 3](#)

Clearly, CIOs must build stronger IT-business partnerships that reflect the increasingly vital role played by LOB workers in creating core enterprise applications, a process that demands increased business-side involvement. Furthermore, it is anticipated that there will be greater and more direct business involvement in IT decision making in the next three years. [Figure 4](#) Well over half of respondents (55 percent) said it was very to extremely important to have operational units influencing innovation in enterprise applications, with 44 percent saying both IT and the business units should share the responsibility equally. [Figure 5](#) Not surprisingly, survey respondents also identified senior leadership as a vital prerequisite to digital success, with 64 percent saying that leadership's involvement was very or extremely important in achieving software innovation.

Embracing a more collaborative model will require organizational overhauls in many IT shops, said Kerry Osborne, managing director at Accenture. "One of the biggest barriers to success is the internal organizational silos that slow IT responsiveness," he said. "LOB functions turn to external people for help because they often get a better response than from internal IT."

As those barriers begin to disappear, companies must also be able to field IT workers with the skill sets necessary to create new products and services that further digital innovation. "The legacy IT organization is not currently equipped to support fast-changing business demands," said Erik Dorr, senior research director with The Hackett Group. "There are skills that IT groups need to acquire or develop, particularly around areas such as data architecture and mobile development."

Limited IT resources can present another barrier to successful partnership. In the survey, 82 percent of respondents said that if IT had more resources to focus on developing innovative applications, the result would be better operational efficiency and reduced costs. Moreover, while cloud services are commonly perceived as a popular alternative to internal IT, many respondents view such "shadow IT" moves as a function of limited resources rather than functional preference. In fact, well over half of respondents said that increased IT resources would help build stronger IT/LOB collaboration in-house. [Figure 6](#)

Contrary to the popular perception that everything is moving to outsourcing and the cloud, the survey shows that a majority of business managers prefer to work with their internal IT departments.

## BUILDING A UNIFIED STRATEGY

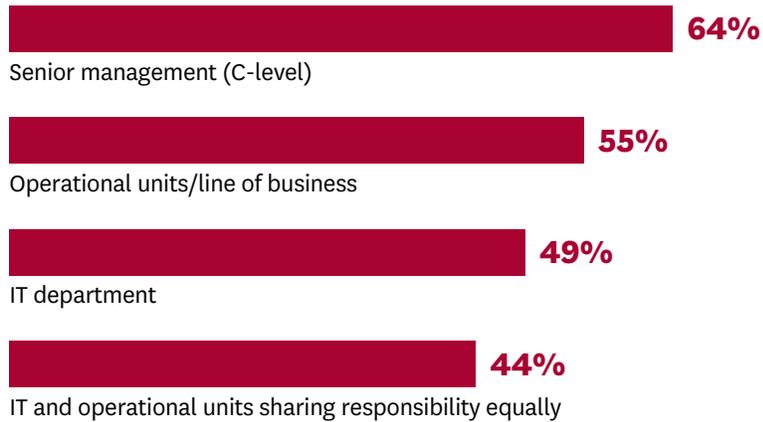
As organizations seek to align business and IT, they must eliminate unnecessary complexities distracting IT and slowing progress. Doing so requires new approaches to architecture along with organizational changes.

Such projects work best when companies view their infrastructure through the lens of business strategy, said Bonnet, referring again to his study of the digital economy. "Successful companies had a clear view of what they were trying to achieve, and one of the first things they asked was, 'What is the best way to do that given the current state of our IT infrastructure? And what are the top priorities to make that infrastructure support digital projects?'" he said.

FIGURE 5

### WHO SHOULD BE INFLUENCING INNOVATION?

How important are each of the following departments or groups within your organization in terms of influencing innovation in enterprise software applications?

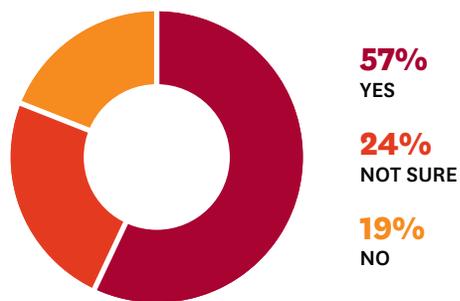


RESPONDENTS CHOOSING 8-10 ON A 10-POINT SCALE FROM "NOT AT ALL IMPORTANT" TO "EXTREMELY IMPORTANT."

FIGURE 6

### BUSINESS UNITS STILL ENGAGED WITH IT

If your IT department had more resources, would you prefer to work with them to develop and update core and mission-critical applications in-house rather than to outsource the development to cloud or IT service providers?



For example, getting data to flow across multiple systems and platforms is a critical first step to digital success. “IT is still custodian of the enterprise data architecture, and it’s a significant role,” said Dorr. “You aren’t going to get very far with a mess of disconnected legacy systems.”

As IT drives these important platform conversations, one emerging strategy centers on IT simplification. “Hardware, software, and processes need to be simplified,” said Bonnet. Recognizing the enormous cost of complexity in terms of time and resources, it’s no wonder that the integrated systems market has grown substantially. Integrated systems, which include server, storage, networking, and management software, eliminate much of the cost and complexities that come with traditional systems. According to IDC’s Worldwide Integrated Infrastructure and Platforms Tracker, revenue for integrated systems in the first half of 2014 grew 35.9 percent to \$4.3 billion.

But spending more on IT is not enough. Business input is required in order to fully wed a technical platform to a digital strategy. “Infrastructure and platform are areas where IT leaders know best, but they need to work with the business side to translate the platform into business terms,” said Bonnet.

It’s clear that digital technologies are rewriting the business landscape, and companies that are able to successfully integrate them into their business will gain a competitive advantage. However, doing so requires a substantial reinvention of IT processes, new platforms, and a strong partnership between business and IT management. Only then can enterprises fulfill the promise of digital innovation. ♦

#### **METHODOLOGY AND PARTICIPANT PROFILE**

Harvard Business Review Analytic Services conducted an online Pulse survey about business perception of IT responsiveness in September 2014, using lists from *Harvard Business Review*. In all, 274 self-selected respondents at midsize to large companies worldwide participated across a wide range of industries. Altogether, 14 percent of respondents identified themselves as C-suite/executive management, 42 percent as directors/senior managers, 24 percent as managers, and 20 percent as other. In addition, 46 percent represented enterprises with 5,000 or more employees, 20 percent with 1,500–4,999 employees, and 34 percent with 250–1,499 employees.

## SPONSOR STATEMENT

### IT Department and the Business Users: Can This Relationship Be Saved?

The evolution of the digital economy has highlighted a long-standing gap between business user requirements and IT responsiveness. According to a recent survey conducted by Harvard Business Review Analytic Services, business users need application cycles that keep pace with rapid market changes—but IT, faced with limited time and resources, often struggles to keep up. The more than 270 business users surveyed showed significant interest in IT's ability to deliver fast responses, as well as solutions and processes that enable real-time decision making and improve the customer experience. Despite this overwhelming demand for faster IT turnaround, respondents cited a significant gap between their expectations for speedy application cycles and their IT department's ability to deliver.

IT's inability to keep up with the speed of business change has put a severe strain on the relationship between IT and business. Furthermore, the rise of cloud-based applications has led many to speculate that business users have given up on IT. However, as the Harvard Business Review Analytic Services research shows, there is interest from business in improving its working relationship with its IT departments. Nearly sixty percent of the business users surveyed would prefer to work with internal IT staffers. First, IT and business users have to work more closely together. The business must get involved with IT's decision-making process, both at the staff and senior management level, to add valuable perspective to purchasing decisions. In turn, IT can help the business side understand the ramifications of IT complexity. This type of collaboration helps IT focus on activities that add business value and find ways to accelerate new application development.

One of the big killers of business innovation is IT complexity. Both business users and IT contribute to that problem. Today, most of IT's time and budget is spent on keeping the current infrastructure up and running. Business users who deploy their own applications through shadow IT only exacerbate the problem by creating even more fragmented information silos.

Oracle engineered systems are designed to reduce complexity and cut costs by improving IT performance and speeding IT applications. With more than 10,000 units shipped, Oracle engineered systems have been proven to reduce operating and labor costs by eliminating the need for custom integration and speeding application deployment. Because engineered systems are optimized for performance at every layer of the technology stack, they deliver an unmatched level of performance and value for the business.

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