

FAILED

Not So IT Smart

IT and business leaders give themselves low marks for IT smarts, according to new research from Valuedance and *Harvard Business Review*.

By Susan Cramm

FIRST THE GOOD NEWS: BUSINESS AND IT LEADERS ARE BULLISH ON TECHNOLOGY. Three-fourths of the business and IT leaders responding to a recent survey view IT as critical to competitiveness or essential to managing business risks and costs, and approximately 60 percent of those polled believe that IT-enabled initiatives deliver acceptable or great ROI.

Now, here's the catch. The survey, conducted by Valuedance with support from *Harvard Business Review*, shows that although business and IT leaders largely believe that IT is important and generates good value, the vast majority don't feel that they are doing a good job leveraging IT.

For a current definition of "IT smarts," we'll let the respondents' words speak for themselves: "IT smarts" is understanding how to get the most out of the systems in place, having insight into what technology can do and where it is headed, and the ability to work with IT to make IT-enabled strategy, invest responsibly and deliver complex solutions.

Only 20 percent of the respondents gave IT and business leaders a grade of "A" or "B" for how well they have leveraged technology. Only 25 percent of business leaders consider themselves IT-smart, with around 50 percent of business leaders admitting that they make half-baked requests, they want it all—regardless of ROI—they change their minds about what they want their systems to do and they don't know how to use their systems.

Only 10 percent of business and IT leaders say their organizations have adopted important IT leadership practices—in which business leaders justify technology investments, technology strategy is defined as part or driven from business strategy, and business leaders knowledgeable about the technology in place drive IT-enabled change. Additionally, less than 10 percent of their companies hold business leaders accountable for delivering IT-enabled business value.

This situation brings to mind a story about a 5-year-old girl's enthusiasm for soccer. Once after her team lost a game, she climbed into her family's car and exclaimed, "My team is really good at soccer and always wins." While the enthusiasm was encouraging, facts tell a different story. The entire team swarmed around the ball and always lost. No one knew how to play the game, no one kept score, and everybody got a trophy at the end of the season.

Likewise, the leaders in our organizations are

enthusiastic about the IT game, but they admit that they don't really know how to play and are judging their success based on feelings rather than facts.

Furthermore, business and IT pros don't always see eye-to-eye on how each other is playing the game. Plus, their perceptions differ on 50 percent of the following classic IT stereotypes: IT leaders are business-smart, IT is expected to know the business better than the business does, and the business always changes their mind about what they want their systems to do. As a positive side note, business and IT leaders believe IT is spending money responsibly and appropriately leveraging outsourcing and effectively managing outsource providers.

As leaders get smarter about IT, they increase their adoption of key IT leadership practices and start breaking through the negative stereotypes. For example, in organizations with IT-smart IT and business leaders, ROI is acceptable or great (93 percent), business leaders drive business change associated with IT-enabled investments (90 percent), and IT products and services meet the needs of the business (88 percent).

Unfortunately, it appears that some stereotypes are more difficult to change than others (such as the perception that IT is overly bureaucratic and control-oriented, and IT doesn't deliver on time) when improvement doesn't occur until both business and IT leaders get IT-smart (i.e., receive a grade of "A" or "B").

Even the smartest organizations aren't playing the game at a high enough level. In these "A" and "B" organizations, only 59 percent are using technology to gain a competitive advantage, the adoption of key leadership practices is spotty and negative stereotypes persist.

While it's clear that IT-smart organizations play the game better than those who aren't as smart, the best of IT is surely ahead as there remains significant opportunity to define new practices for managing the IT asset to ensure that it is fully exploited to the benefit of the enterprise.

1 To better leverage technology...		
	Biz Leaders should:	IT Leaders should:
"D" and "F" business leaders said:	plan with IT	create business-focused IT organization
"D" and "F" IT leaders said:	plan with IT	create business-focused IT organization
"C" business leaders said:	lead IT-enabled change	strengthen business partnership
"C" IT leaders said:	increase IT knowledge	proactively partner with the business
"A" and "B" business leaders said:	treat IT as an important asset	deliver IT faster
"A" and "B" IT leaders said:	invest wisely in IT	deliver IT faster

Implications for Action

Based on the results of our study, Valuedance makes the following recommendations.

Measure the IT smarts of your organization. Every organization should have a bidirectional survey that allows business and IT leaders to weigh in on the importance and value of IT, IT leadership practices and the quality of the business-IT partnership.

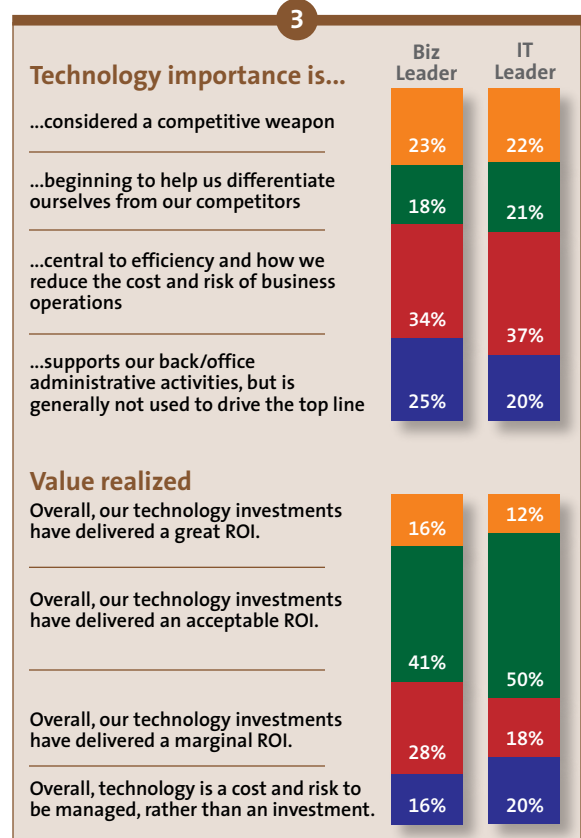
Use the results to foster dialogue. The survey is only useful if it promotes dialogue about how to better leverage the IT asset. Any productive change requires facing the brutal facts—together—as input to planning and changes to governance, processes, skills and motivators. Probe the survey comments to understand at a deeper level what changes make sense for your organization. For example, within our survey, the key themes around opportunities for improvement vary, depending on the IT smarts of the organization (see Chart 1).

Invest in educating your business counterparts. In addition to creating business-smart IT leaders, sponsor programs to help develop IT-smart business leaders. Regardless of their level of IT smarts, business leaders express a desire to learn more about how to get the most out of the systems in place, what current technology can do and where it is headed, how to make IT-enabled strategy, how

to invest responsibly, how to deliver complex solutions and how to work with IT.

Experiment with new IT organizational models. "A" and "B" organizations should experiment with new organizational models to increase innovation capacity and value realized from IT-enabled investments. Valuedance believes that the key to fully leveraging IT is through democratizing innovation as described in our 2015 CIO whitepaper (<http://www.valuedance.com/downloads/136>). Forrester has outlined a similar vision in its research, titled "Business Technology."

Leveraging technology "grade"	2 Grade for Biz		Grade for IT	
	Biz Leader	IT Leader	Biz Leader	IT Leader
A (outstanding performance)	2%	3%	5%	12%
B (good performance)	27%	23%	33%	44%
C (average performance)	40%	42%	35%	31%
D (below average performance)	28%	28%	22%	11%
F (failing performance)	3%	4%	5%	2%



Diving Deeper

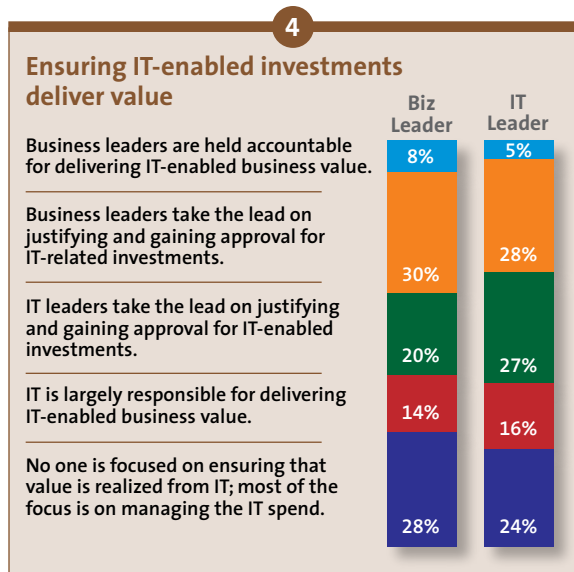
We don't have enough IT-smart organizations. The study shows less than 5 percent of respondents giving business or IT leaders a grade of "A" for leveraging technology. Only 20 percent of the respondents gave IT and the business a grade of "A" or "B" for how well they have leveraged technology.

While IT and business leaders' "grades" for the business are closely aligned, the business is more critical of IT (27 percent were below average or failing) than IT is of themselves (13 percent were below average or failing) (see Chart 2).

Business and IT leaders have a common view on how technology is being applied and the level of value realized from the IT asset. Over 75 percent of the respondents view IT as critical to competitiveness or essential to managing business risks and costs, with around 60 percent believing that IT-enabled initiatives deliver acceptable or great ROI (see Chart 3 on previous page).

It appears companies aren't inspecting the value they are expecting. Although approximately 60 percent of business and IT leaders believe that IT is delivering an acceptable or great ROI, less than 10 percent of their companies hold business leaders accountable for delivering IT-enabled business value (see Chart 4).

Only one-fourth of respondents feel that IT needs are defined during the business-strategy-making process, with over 50 percent indicating that IT needs are identified reactively as part of financial planning in an ad hoc manner throughout the year (see Chart 5).

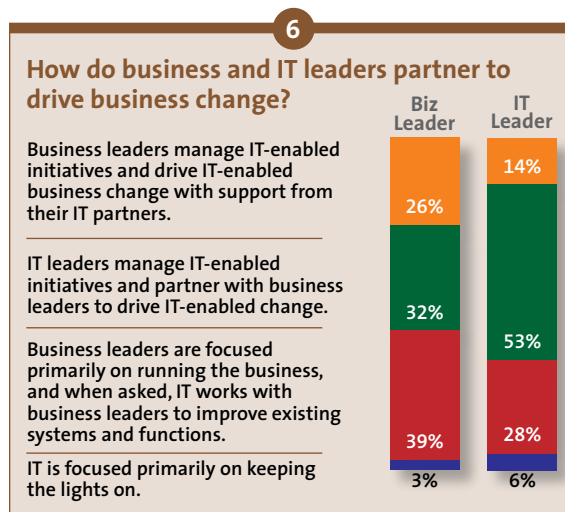
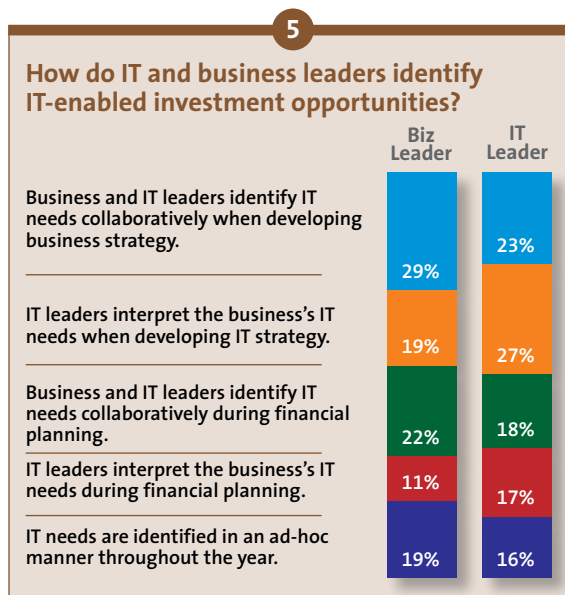


There seems to be some disagreement about who is managing IT-enabled initiatives: 26 percent of business respondents believe they do, but only 14 percent of IT respondents agree with that assessment (see Chart 6).

The survey also examined business and IT leaders' perceptions on some classic IT-related stereotypes, assuming that IT-smart organizations would have more productive business-IT partnerships and more positive perceptions about their counterparts.

Overall, IT appears to be spending money responsibly and leveraging outsourcing and effectively managing the outsource providers.

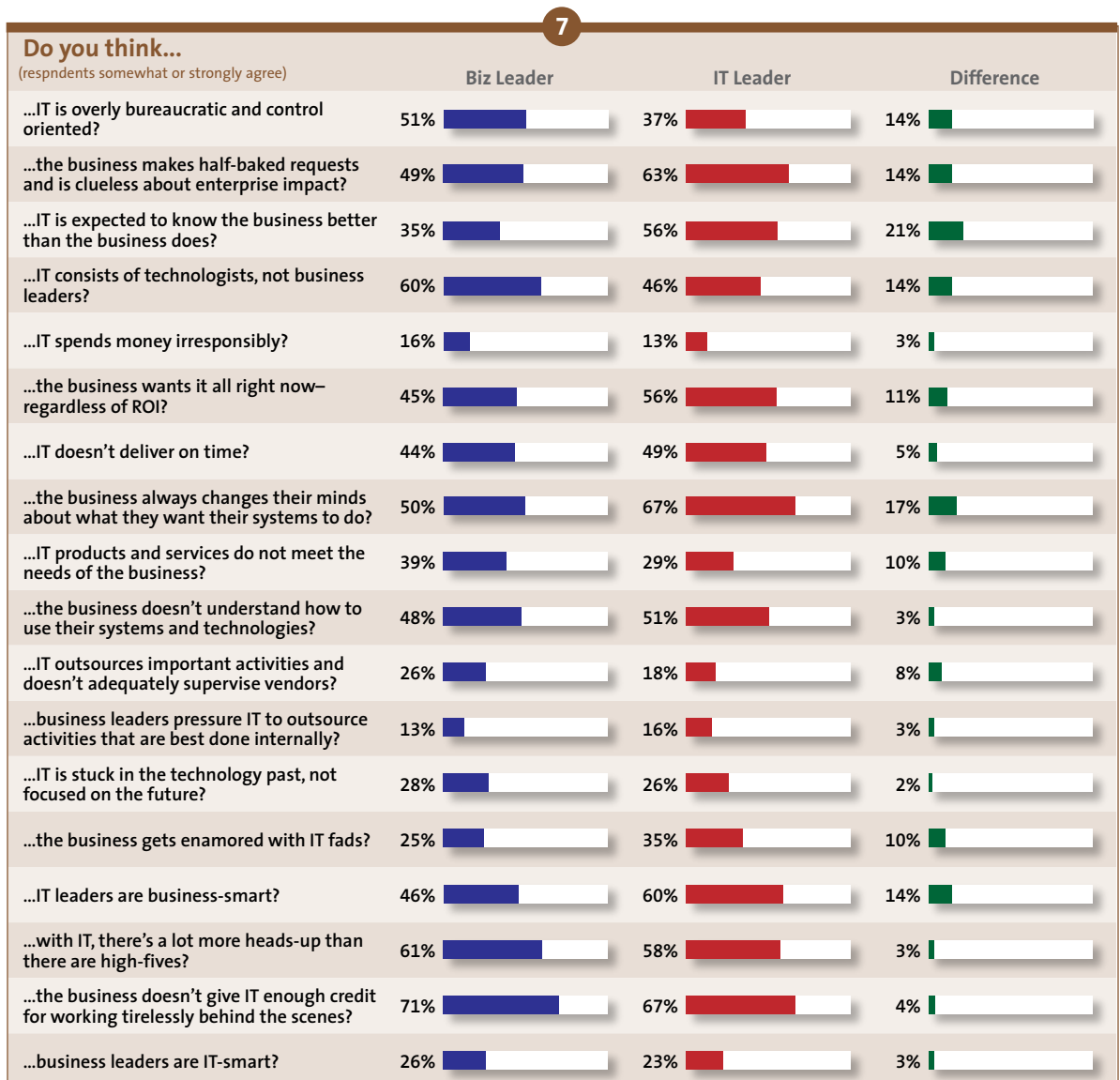
Business leader and IT views differ on nine of out of the 18 negative stereotypes, which suggests an



opportunity to calibrate perceptions, share points of view and work to resolve the differences. Overall, business leaders are pretty self-critical, with only one-fourth of them believing that they are IT-smart and about 50 percent of business leaders admitting that they make half-baked requests, want it all (regardless of ROI), change their minds about what they want their systems to do and don't know how to use their systems. Not surprisingly, some, but not all, respondents share the negative stereotypes. This necessitates a drill-down to show how perceptions vary based on how IT-smart the respondents consider their organizations (see Chart 7; percentages represent the number of respondents who somewhat or strongly agree with the statement).

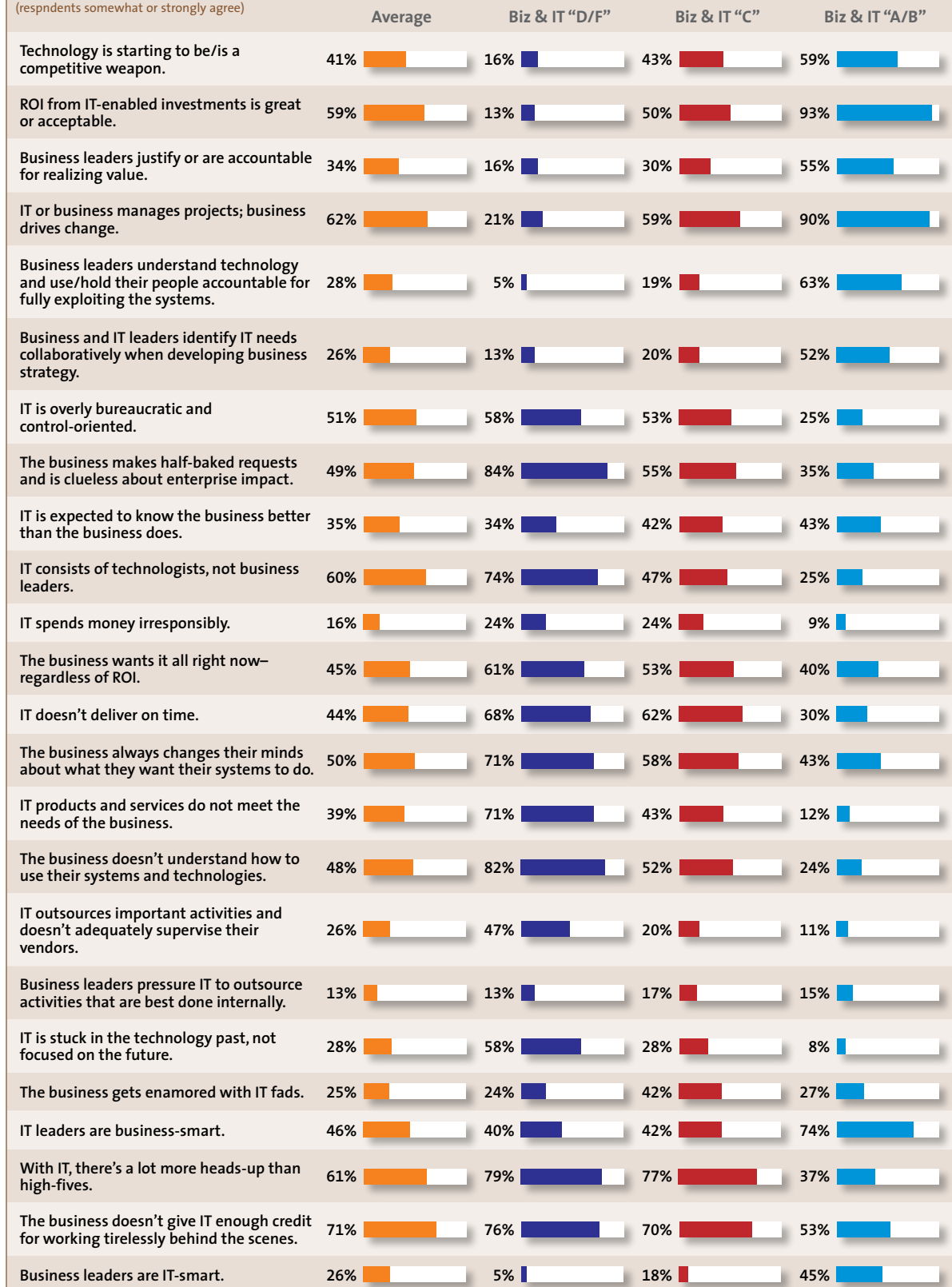
Further analysis reveals that as leaders increase their IT smarts, they adopt the key IT leadership practices and start breaking through the negative IT stereotypes.

In organizations with IT-smart IT and business leaders, ROI is acceptable or great (93 percent), business leaders drive business change associated with IT-enabled investments (90 percent), IT has appropriate levels of bureaucracy and control (75 percent), IT consists of business-oriented technologists (75 percent), IT products and services meet the needs of the business (88 percent), the business understands how to use systems and technologies (76 percent), IT is advocating emerging technologies (92 percent), the business doesn't get



IT Leadership Practices and Perceptions

(respondents somewhat or strongly agree)



enamored with technology fads (73 percent) and IT leaders are business-smart (74 percent).

Some stereotypes are more difficult to change and don't improve until business and IT leaders receive a grade of "A" or "B." These stereotypes include the following: Business leaders understand technology and use/hold their people accountable for fully exploiting the systems, IT is overly bureaucratic and control-oriented, IT doesn't deliver on time, IT leaders are business-smart, there are a lot more heads-up than high-fives with IT, the business doesn't give IT enough credit for working tirelessly behind the scenes, and business leaders are IT-smart.

Unfortunately, even the smartest IT and business leaders haven't figured out how to drive all of their organizations to the point where technology is applied for competitive advantage (see Chart 8 on previous page).

In addition, business leaders are held account-

able for realizing value; they understand, personally use and hold their people accountable for fully exploiting the systems. Moreover, business and IT leaders identify IT needs collaboratively when developing business strategy.

Furthermore, a number of negative stereotypes persist, leading one to believe that there remains significant opportunity to define new practices for managing the IT asset to ensure that it is fully exploited to the benefit of the enterprise.

Percentages represent the number of respondents who say they somewhat or strongly agree with the statement.

When respondents were asked what IT and business leaders should do to leverage technology better (see Chart 9), their answers were remarkably consistent within the grade levels.

In Chart 10, you'll see a few comments business leaders made when they were asked what they wanted to learn about IT. ➕

9 To better leverage technology...		
	Biz Leaders should:	IT Leaders should:
"D" and "F" business leaders said:	Plan with IT: "The business needs to engage IT in strategic issues early to realize the full benefit of what IT can design in to new processes and upgrades."	Create business-focused IT organization: "Customer's don't accept excuses when products aren't delivered on time, and therefore, they need to understand the importance of why business leaders ask for certain changes."
"D" and "F" IT leaders said:	Plan with IT: "Business needs to provide more strategic direction so we can build technology roadmaps to meet that vision. They have no vision; therefore, everything is a reaction and an emergency."	Create business-focused IT organization: "Partner with the business. Get out of their building, become part of the solution," and "be part of the business, not "vs. business."
"C" business leaders said:	Lead IT-enabled change: "Understand the problem one seeks to solve before merely deferring to technology as the answer," and fewer "changing priorities" and "faster decisions" and "less delegation."	Strengthen business partnership: "Walk a few miles in the business' shoes to better understand how the company operates," "collaborate more effectively with the business units" and "put support closer to the end user."
"C" IT leaders said:	Increase IT knowledge: "Business should make more effort to understand how IT can be leveraged rather than letting IT drive the technology," and should "continuously improve training" and "make a stronger commitment to learn to use the technology."	Proactively partner with the business: "Get out to the business units more often," "demonstrate what is possible with technology" and "embed IT with the business functions."
"A" and "B" business leaders said:	Treat IT as an important asset: "Business leaders in various disciplines should meet together to understand each other's IT needs and how it affects the business."	Deliver IT faster: "Focus on delivering business results quickly," "offer multiple solutions" and "take a more flexible approach."
"A" and "B" IT leaders said:	Invest wisely in IT: "Drive initiatives all the way through value realization" and "utilize what is in place and minimize new products."	Deliver IT faster: "Deliver on shorter time cycles" and "adapt flexible and scalable platforms to rapidly adjust to business conditions."

Business Leaders Comment	
How to deliver complex solutions	<p><i>"Some things take time, lots of time."</i></p> <p><i>"Keep it simple, and go for incremental improvements."</i></p> <p><i>"[You] can't make it perfect."</i></p> <p><i>"Build in adequate time to design and test."</i></p> <p><i>"Faster decision making."</i></p> <p><i>"Project methodologies."</i></p> <p><i>"Cheapest isn't the best solution."</i></p>
What technology can do and where it is headed	<p><i>"Hands-on exposure."</i></p> <p><i>"Train project manager and above in the business."</i></p> <p><i>"IT skills at the management level."</i></p> <p><i>"Business process change."</i></p>
How to make strategy	<p><i>"Long-term investment, not one-off solution."</i></p> <p><i>"Strategy must be in place first."</i></p> <p><i>"Think broader."</i></p> <p><i>"Invest in infrastructure ... hoping that 'things don't break' isn't a strategy."</i></p> <p><i>"Create business roadmap."</i></p>
How to work with IT	<p><i>"Respect IT leaders as professionals."</i></p> <p><i>"Ask for input."</i></p> <p><i>"Let IT leaders know their needs."</i></p> <p><i>"Involve IT in training and exploration of uses."</i></p> <p><i>"More communication and understanding, less delegation."</i></p>
How to get the most out of what's in place	<p><i>"Better understanding of existing technology."</i></p> <p><i>"Train, train, train."</i></p> <p><i>"Develop super users."</i></p> <p><i>"Get full utility out of existing investments."</i></p> <p><i>"Invest in support functions."</i></p> <p><i>"Train on current systems."</i></p>
How to invest responsibly	<p><i>"Every request should have quantifiable ROI."</i></p> <p><i>"Upfront vs. ongoing investment."</i></p> <p><i>"Reduce fluctuations in funding."</i></p> <p><i>"Learn how to measure ROI."</i></p>

About the Survey

In 2007, MIT's Center for Information Systems Research (CISR) found that "companies with more 'IT Savvy'—a set of interlocking business and IT practices and competencies—have better financial performance no matter what their level of IT expenditure." IT-savvy firms have higher levels of business management involvement, more firm-wide IT skills, and apply IT to digitize business processes and improve internal and external communications.

To learn more about how IT leadership practices and attitudes vary depending on the level of IT smarts, Valuedance (with support from *Harvard Business Review*) conducted a survey. In our survey, we defined IT smarts consistently with the above-referenced research but in an abbreviated fashion to encourage respondents to take and complete the survey.

The survey included a series of questions regarding the importance and value of information technology, leadership practices and how respondents would

"grade" the effectiveness of business and IT leaders in leveraging the IT asset. In addition, since behavior follows beliefs, we asked the respondents the extent they agreed or disagreed with some classic negative IT stereotypes.

Our goal is to understand how operational business and IT leaders interact with each other and manage the IT asset on a day-in, day-out basis. Operational level leaders (versus CXOs) best reflect the grassroots realities of how the IT asset is being managed. Furthermore, improving IT smarts requires not only intention and direction from above, but action from below.

From April through July 2009, 328 leaders—108 business leaders, 191 IT leaders and 29 "neither" (presumably leaders from consulting and technology firms) responded to the survey. The responses from the "neither" respondents were largely disregarded, given the small sample size and objectives of the survey.