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A large bank headquartered in New York had to make a decision on its information technology. The bank expanded its operations in London and needed a new computer system there. Technical specialists in London were sure that only a particular supplier could meet the requirements. The information systems people in New York were equally sure that another seller's system was the best choice. When the technical managers still had not chosen a supplier, they took the issue to a management team. New York and London each stated their case in terms such as instructional architectures, file performance systems and transaction throughput rates. The political committee, confused by these technical issues, continued to postpone the decision. At the same time, the head of the London office complained that the impasse was threatening the growth of the unit. How should the policy committee choose a supplier? Previously, managers simply delegated technical decisions like this to their own computer guides and took care of other issues. However, managers can no longer easily avoid the process of making decisions about information technology (IT). IT affects the entire business—from organizational structure to product market strategies. Delegating such important decisions does not ensure that IT investments will promote the company's business strategy. In fact, it practically guarantees that they will not. The technical experts do not quite rightly have a deep enough understanding of where the overall business is going. General managers, but usually do not know much about computers. They may like the idea of using information technology strategically, as companies like American Hospital Supply and American Airlines have done. But they rarely know how to translate their preferences into specific IT investments. They may not even know what questions to ask, and the technical jargon may sound like a foreign language. So they tend to delay IT decisions or avoid them altogether. However, the consequences of postponing or mishandling IT decisions can be serious. The company may lose out on key competitive opportunities, it can waste money on relatively unproductive technology, and it may need to spend a lot to get its IT back on track later. An industrial company learned this lesson the hard way. As part of its business strategy, top management eliminated administrative entanglements by reducing the number of distributors transporting their products. Meanwhile, it delegated hardware and software selection to the information system groups in each division. IT teams were unaware of what top management was trying to achieve, and top management was unaware of the decisions each IT group made. When senior management realized that it would be much easier to consolidate distributors if all divisions used the same order processing system, it was too late. The divisions had already purchased or built applications that were IT took the company years to redesign the ordering systems so distributors had access to all products. A division of a large chemical company that is learned a similar lesson. Technical managers consulted their product managers peers and became convinced that a customer database integrating information from all four product groups would be useful for cross-selling and coordinating customer orders. But neither the technologists nor the product managers knew that top management planned to move several product groups to different divisions and sell off others. Moreover, senior managers had no idea that the integrated database did not allow a product group's information systems to move with the group. The company had to carry out an expensive and disruptive crash project to separate the systems. Clearly, many companies need a new approach to IT decision making, one that blends the technical knowledge of computer experts with the vision of top management. Simple truths We have studied the IT decision-making processes of more than 50 large organizations, whose many IT efforts lacked direction. However, some companies had articulated their basic philosophies about IT, and they seemed to be using technology more efficiently. They expressed these philosophies through a set of IT management principles that summarized how the company would use IT to achieve its goals. These principles then guided all technical decisions that arose over the next few years. If the decision was in line with the principles, it was also in line with the corporate strategy. Principles are simple, direct statements about an organization's basic beliefs about how the company wants to use IT in the long term. By putting the most important aspects of a company's business strategy into the language of technology managers, these principles bridge the communication gap between top managers and technical experts. In this way, business strategy drives technical strategy, as conventional wisdom says it should. Think about the initial example of the bank that expanded in London. The debate was not at all about technical issues. The tension was between operation-unit autonomy and global consistency. The London office wanted to penetrate a new marketplace as quickly as possible; packaged software on their preferred computer would allow you to be up and running quickly. The headquarters in New York had another concern: to give top management a complete and instantaneous view of the worldwide business. If the company had established a principle that Computing hardware should facilitate global information consistency, there would have been no conflict. The technical experts in both New York and London would have worked towards the same, and their decisions would have been easy to achieve and consistent with the organisation's main goals. The industrial products company whose top managers wanted to consolidate distributors would have benefited from a As all product data should be accessible through a common order processing system the IT teams at the divisions would have known from the outset that their ordering systems must be compatible, as the principle conveys the important relationship between business strategy and technology. The chemical company whose information systems could not move with the product groups could have used a principle that all product groups should be self-sufficient in their information systems capabilities. This would have ensured that specific technical decisions would not impinge on the flexibility needs of senior management. Sometimes decision makers have trouble sifting through the details of the more enduring links between IT investments and strategic goals. Principles can help the decision maker keep long-term strategic issues in perspective and provide a clear basis for the decision. A marketing manager who needs better market research can choose the local network (LAN) that can run a particular software package, even though the LAN excludes a subsequent shift to regional marketing. A principle that marketing data and applications should be easily mobile to field locations for regional and local market analysis would make it easier for the manager to choose the right LAN. Similarly, a chemical research leader who wants to accelerate product development can choose the star scientist's favorite powerful workstation—only to discover later that it can't communicate with other computers in R&D. The statement that Research computing should be integrated with computers in development and testing would help research leaders make a better choice. The First Move principles approach to IT begins when someone-general the head of information systems (IS)—takes the initiative to introduce the idea to the organization and begins to assemble a task force. Senior managers need to be involved, so getting their cooperation is often the first obstacle. The number of people in the working group and the mix of backgrounds vary from company to company. Generally speaking, the key to bringing together a handful of people who deeply understand either the business or the technology and who are engaged in the process. A good way to assemble such a team is to think about it in two parts: five to ten senior managers, including a senior information-system person, who knows the organization well and can get people across the company to support the principles later; and a small group of IS managers who will create the initial set of policies. Before writing the principles, the working group should identify the topics it wants to consider and make plans to interview senior managers who are not on the study team. The interviews should draw from senior executives as much information as possible on broad strategic or organizational issues. The idea is not to ask top managers to discuss computers or to reveal trade secrets, but simply to understand their views on where is on its way. Among other things, the interviews will focus on issues of risk, user independence, and the IT role. How much risk can the company take? Some organisations are quite willing to accept technology-related risk, while others want to avoid it at all costs. As a senior manager at a money-center bank commented, we accept any reasonable technology risk that has significant business payoff but that will not compromise our name in the industry. Some companies believe that their users and user managers can make intelligent decisions about technology, while others prefer central control. Finally, many companies—but certainly not all—have accepted that IT can play a strategic role rather than simply crowding out costs. Such basic attitudes towards technology tend to be deep and persistent. The company's technology principles should reflect these attitudes— not try to change them—so the task force needs to identify them. The overall focus the business takes is also an important factor. For example, a principle that supports common application systems is inappropriate if the company's strategy involves large acquisitions and divestments in the near future. In such a turbulent business environment, divisional systems should usually stand alone but be able to communicate with them in other divisions. The team should gather information about the existing system portfolio to uncover unresolved technology issues and note whether existing systems make proposed policies unrealistic. For example, if a company discovers that several dozen LANs are already in use, it would be unwise to devise a principle that discourages LANs and instead favors minicomputers. And the team should scan available and upcoming technologies. IT experts probably know the technology landscape, but other participants need to understand that as well. Although the interview and information gathering process can be time consuming, especially when there are many people to talk to, the bigger problem is scheduling. The working group should be sure to make the rounds quickly so that it completes the process in weeks, not months. Things tend to go faster if a person takes on the role of clerks. Some companies have completed the entire process—including the preparation and refining of the principles—in three months. Once the interviews are conducted and transcripts of the answers have been distributed to team members, the working group can reconvene to discuss and summarize the results. With a synopsis of the company's business plans, IT problems and values in hand, the team is ready to address the principles. The IS heads subgroup usually takes over from here to prepare a first set. Good principles While the process of establishing the principles itself is constructive because it forces managers to think things through and make their ideas explicit, the principles are the real goal. If the principles are good, general managers and technical experts will turn to them time for clarification and guidance. But if the principles are vague, the managers will ignore them. It is not a question of coming up with the right principles. It is more a question of creating principles that are helpful and appropriate to the particular company and its environment. They should reflect the organization that created them. Most companies only need 20 or 30 policies to capture their approach to technology management. Normally, this approach is deeply rooted in the company's culture, leadership style and business strategy, and since these things change slowly, principles should remain valid for a few years. Only when the organisation changes its basic business direction or undertakes major restructuring would it need to reconsider its principles more often. The principles themselves should contain clues about the industry and the corporate strategy. If they don't, they may be too general. It is tempting to set policies that Data is an asset. Consensus will be easy to reach. But when isn't data an asset? Such a statement is of no help at all when it comes to decision-making. It's a cliché—not a guide for action. If a principle has any power at all, its opposite should also be a meaningful statement. The principle we are engaged in a single supplier environment is contradictory that we will choose the best technology for any business situation, regardless of supplier. Either one is a useful guideline. It helps to divide the work of developing the original set of principles by category of IT investments. Most companies' IT decisions fall into one of four areas: hardware and communications infrastructure, applications, data, and organization. Infrastructure includes the number and types of computers your organization uses, the operating software that runs on them, and the communications networks that allow individuals and computers to talk to each other. Applications are the feature- or process-specific computer programs your organization uses, as well as the process by which they are created, maintained, and managed. Data is, of course, all company information. Organization is the often overlooked human support for IT, without which departments can get the technical equipment they need but no help to use it. By dividing the technology in this way and creating five or six principles for each category, the team can be sure that the guidelines apply to almost all technical decisions. The following example illustrates policies for each type of resource. Managers of an office products company knew that business was changing rapidly and were often frustrated by their inability to obtain up-to-date data. To address this situation, they came up with the principle that IS will develop only real-time applications so that databases reflect the current state of the business and information is available when needed to influence decisions and actions. The heads of an electronics company felt the need for as a company rather than an independent business. They established this principle, which fits into the applications area: IS will provide programs that support cross-functional integration of business processes. This principle made cross-functional systems a priority and empowered IS to address the complex issues arising in their implementation. One insurance company wanted users to choose IT products from the list of approved suppliers and equipment. However, it felt like users could rebel if they were banned from making their own choices. Moreover, there was little that could enforce such strict control. The company thought it best to offer a carrot instead of a stick, to offer support instead of threatening control. One of its principles in the infrastructure category captured this philosophy: the IS department will maintain a short list of supported products in each technology category. Users can purchase other products at their discretion (subject to spending approval limits), but IS will not support them. The IS organization of another insurance company was responsible for designing computer systems, but it was not in a good position to implement the business changes needed for the systems to be successful. The user who sponsored the system almost always had ultimate control over the resources and business processes in the department or function. A principle in the organization area put this fact on record: User-sponsor of a system project will be responsible for the business success of the system. A consumer goods company wanted to streamline its telecommunications network. It had a voice communications network and 24 separate computer networks, many of which were incompatible. They wanted the computer networks to be compatible not only with each other but also with the voice network. The company established a principle that said, We will strive to achieve integration of voice and data communication for efficiency and increased functionality. Fine-tuning Once the smaller groups have completed their work, the whole working group should meet again to resolve any inconsistencies and to agree on the rationale and consequences of each principle. These are also put in writing. For example, take the following principle: Data created or obtained within the company does not belong to any particular function, entity, or individual. It is available to all users in your company who can demonstrate a need for it. The logic behind it may be: Data is an important resource and often has the greatest value when shared across the enterprise. No particular part of the organization should be able to restrict the flow of data except for reasons of company information security or the integrity of the database. In order to access data, a potential user generally only needs to request it from the database manager. The consequences would likely include: (1) Data custodians should be favourable to reasonable requests for data access; 2) The technology infrastructure should make it possible to share data between functions and devices. (3) IS needs to provide data monitors with criteria to assess concerns about data security and privacy, (4) if the need for access is disputed or if guardians believe that the security or integrity of the data is threatened, the Technology Policy Committee will resolve the dispute. The set of principles, with its motives and consequences, is not a finished product. The task force should present it to senior managers in a workshop setting and encourage everyone to discuss and change the principles. While this may seem like an invitation to undo a lot of hard work, more often than not, managers strengthen and refine the principles—they don't tear them apart and try to start from scratch. The Working Party should encourage workshop participants to test the principles by applying them to recent decisions or to unresolved issues. A company, for example, had just decided to bring in an external supplier to manage its telecommunications network. It found this decision in line with the principle that non-strategic, utility-oriented aspects of IS should be purchased externally. However, one financial services company found that the technology investments recently made by the business units on their own were proof that a principle providing for central coordination of investment decisions was not realistic. Only after the top management has tested and approved the principles is the process complete. The team can then publish and circulate them, and managers can start using them. Shortly after it developed its principles, a pharmaceutical company needed to choose its primary database management software. The database design principle should emphasize the efficiency of the business environment rather than efficiency in the technical environment was the deciding factor in choosing between two of the final software options. Some companies think it's good to keep limiting the guidelines for decision making. They can do this by following the principles with a set of models. A model can specify things like how computers should be linked or how to structure a division/IS group. Technology standards make the guidelines even more detailed by specifying the specific suppliers or equipment preferred by the company. The standards must match the models, and the models must comply with the principles. Whether models and standards accompany them, principles simplify the lives of managers who face a tough technology decision after another and managers who would otherwise be consulted in each instance. The time and effort spent discovering the common ground between the IT manager and the business manager puts the company on firmer ground when it comes to making IT investments that truly reflect business priorities. A version of this article was published in 1989 issue of Harvard Business Review. Review.

