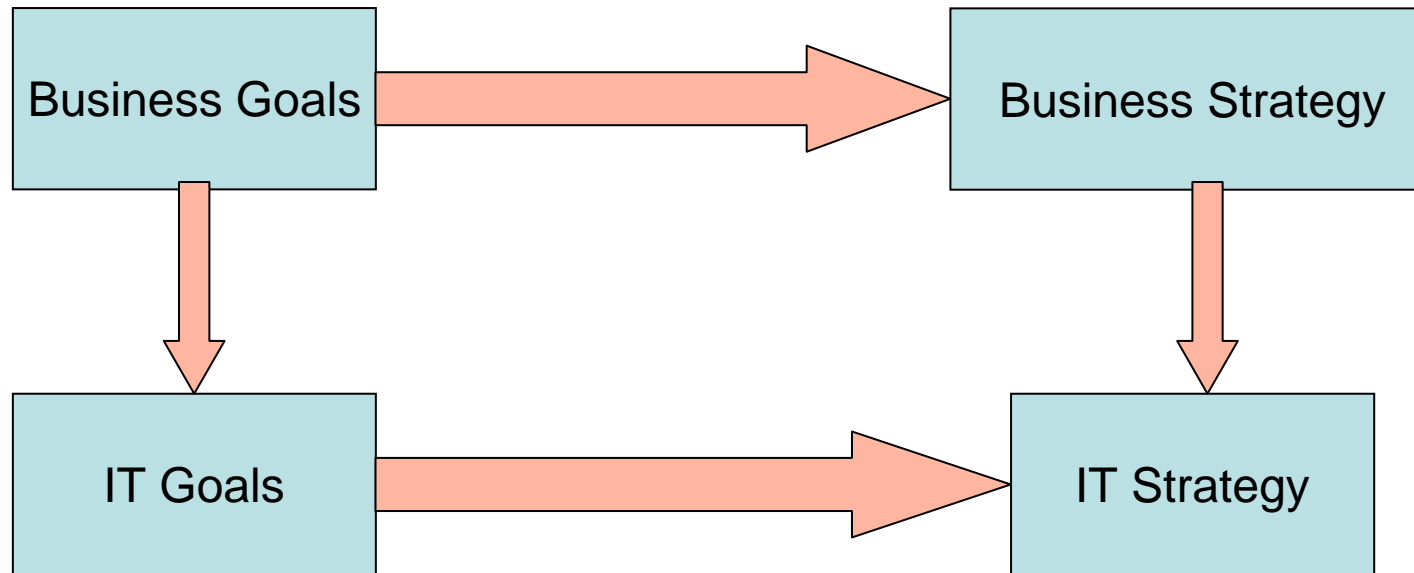


1. Business- IT Relationship

2006

Traditional view:
Business Drives IT

Business Drives IT



- Business driving IT
- IT as Business' supporting unit

Esimene periood (1950-1970) – „IT diktatuur“

- Firma tippjuhid polnud teadlikud IT-probleemidest. IT-gurusid usaldati pimesi kui teadlasi-eksperte.
- IT suhtumine äripoolde – ülemuslik, *direktiivne*.
- Äripoole osalemine IT-põhises arenduses – *olematu*.
- IT-projektide fookus – *eksperimentaalne*.
- IT-põhiseste projektide juhtimine – *IT-gurud* juhivad.

Teine periood (70ndate lõpp-80ndate algus) – „äripoolde ärkamine“

- IT suhtumine äripoolde – salliv, kuid *direktiivne*.
- Äripoolde osalemine IT-põhises arenduses – *dokumenteerimine ja testimine*.
- IT-projektide fookus – *tehnoloogiline*.
- IT-põhiseste projektide juhtimine – *IT-gurud* juhivad.

Kolmas periood (80ndad) – „kättemaks = äripoolle diktatuur“

- IT suhtumine äripoolde – *antagonistlik*.
- Äripoolde osalemine IT-põhises arenduses – tagasihoidlik, kuid *direktiivne*.
- IT-projektide fookus – *ärifookus*.
- IT-põhises projektide juhtimine – *äripool* on juht.

Neljas periood (90ndad kuni tänapäev) – „partnerlus“

- IT suhtumine äripoolde – *avatud*.
- Äripoole osalemine IT-põhises arenduses – *oluline, toetav*.
- IT-projektide fookus – *täielikult määratud ärivajadustega*.
- IT-põhises projektide juhtimine – *avatud, äripoole juhtiv roll koostöös IT-ga*.

But: IT revolution

Historical significance of the *IT revolution*

- The IT revolution, now progressing on a global scale with the **rapid advancement of computer and communications technologies**, is beginning to bring about a historic transformation of society, much like the Industrial Revolution did from the 18th century in the United Kingdom.
- The advancement in information technologies, primarily the Internet, will enhance the quality of information exchanges and revolutionize relationships between individuals, between individuals and organizations, and between individuals and society, by drastically reducing the costs and time for information distribution. It is believed that this will result in the **rapid transformation to a knowledge-emergent society**, where the interaction of knowledge will evolve to create high added value.

Vision of the information IT society (*Japan*)

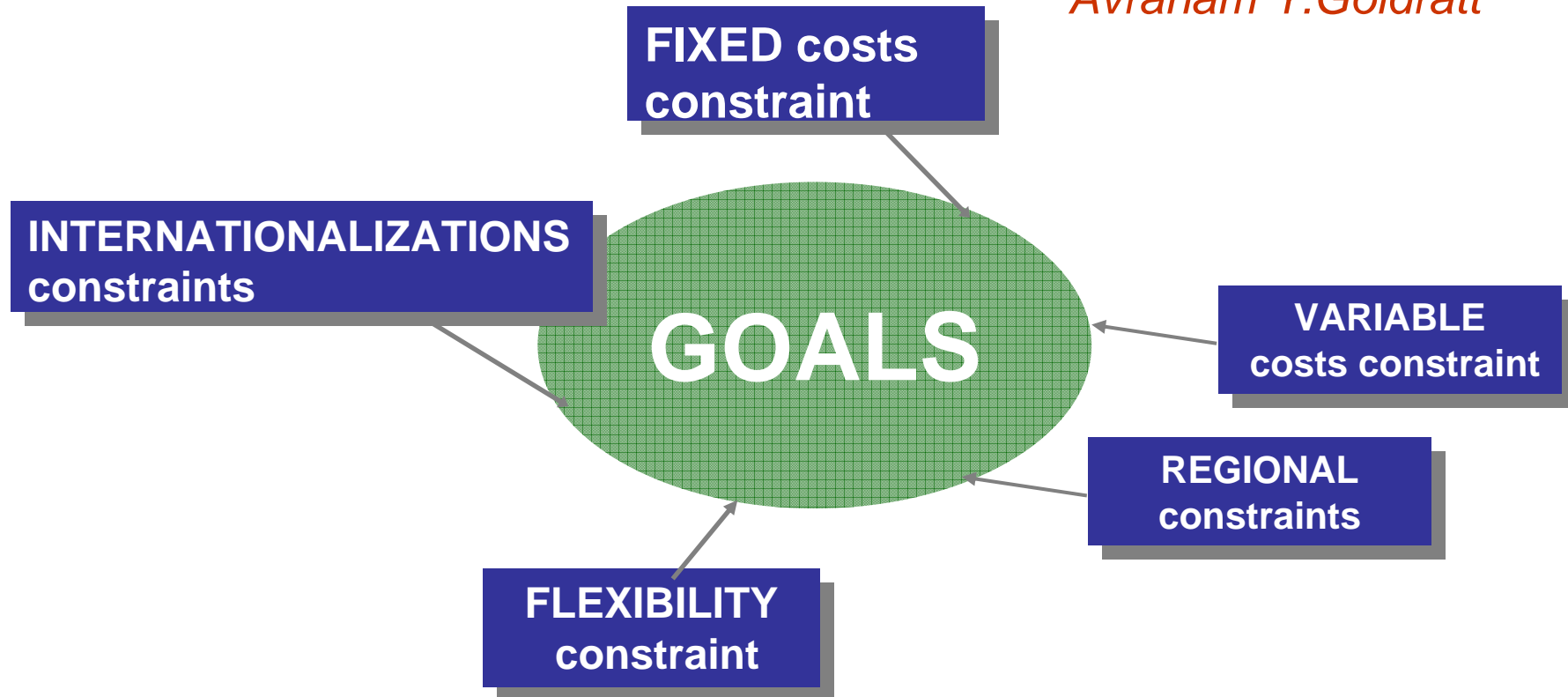
- **Education:** All will be able to receive the most advanced level of education they require regardless of geographical, physical, economic and other constraints.
- **Arts and science:** All will be able to enjoy and use works of arts and literature, science and technologies regardless of location, and will be able to create and distribute digital content easily.
- **Work:** Thanks to network connections to offices, all will be able to do the work of their choice, regardless of age and sex, and live in the location of their choice, without having to rely on transportation means.
- **Industry:** All companies, regardless of size, will be able to conduct business transactions with customers throughout the world by making full use of IT. The promotion of competition and the protection of intellectual property rights will be both achieved in balance and in harmony with other nations policies.
- **Living:** Regardless of location and time, all will be able to watch the latest movies, play popular TV games, and freely communicate with friends and family in remote places, not only by voice but also with images, through various information tools.
- ...

Estonia is:

- small
- rapidly changing
- electronic services are used in the same level as in Germany
- GDP per capita is 4x lower than in Germany

Estonian specific constraints

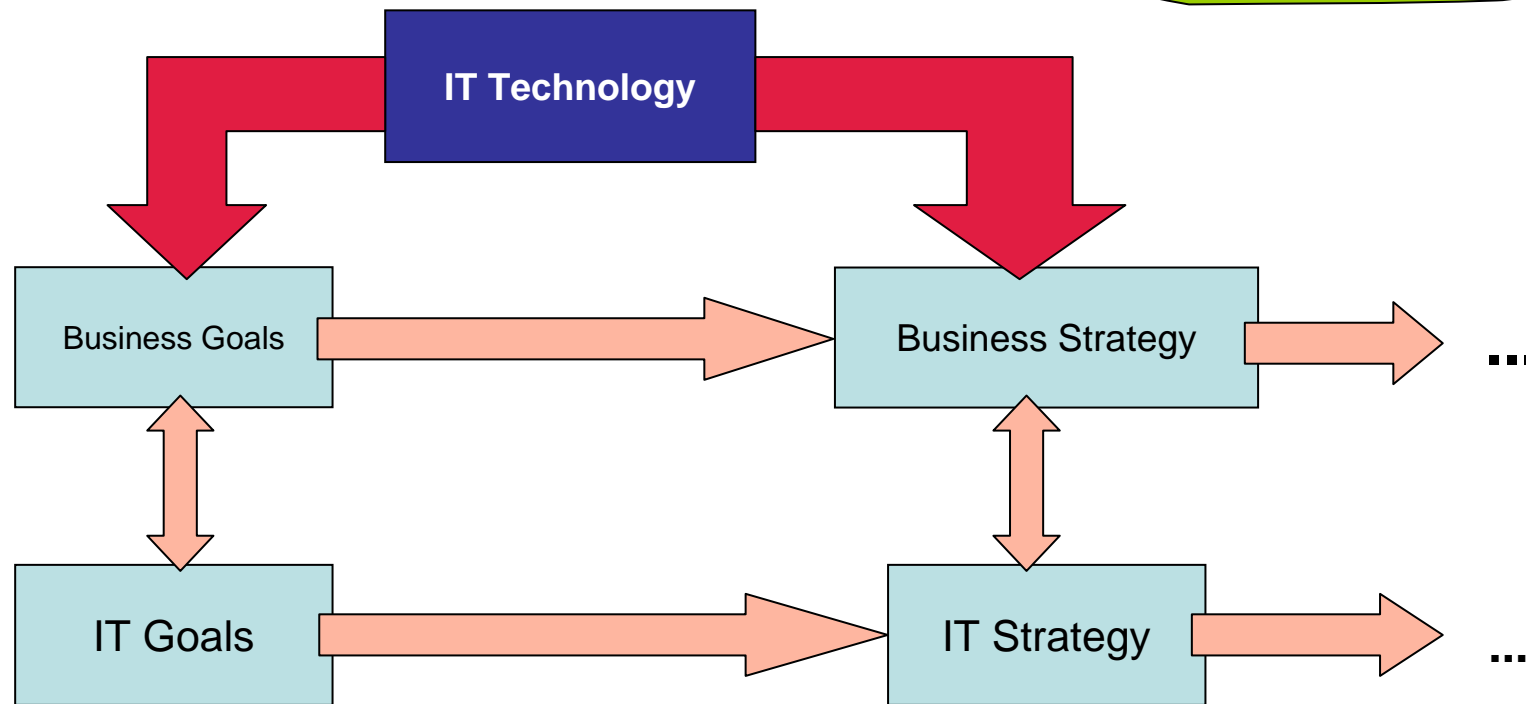
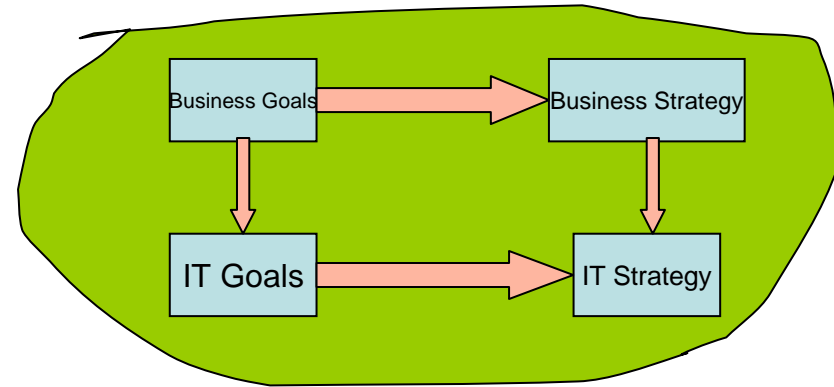
According to
Avraham Y. Goldratt



Summary:
IT Drives Business?

Summary: *IT Drives Business*

- IT drives Business?



Balancing IT and Business

From Now On, Business Transformation Will Be Technology Defined (IT2B)

The business of IT is the business

- Note the emergence of IT-defined enterprises
- IT processes are business processes
- IT is the skeleton of the business

IT cost is a key competitive differentiator

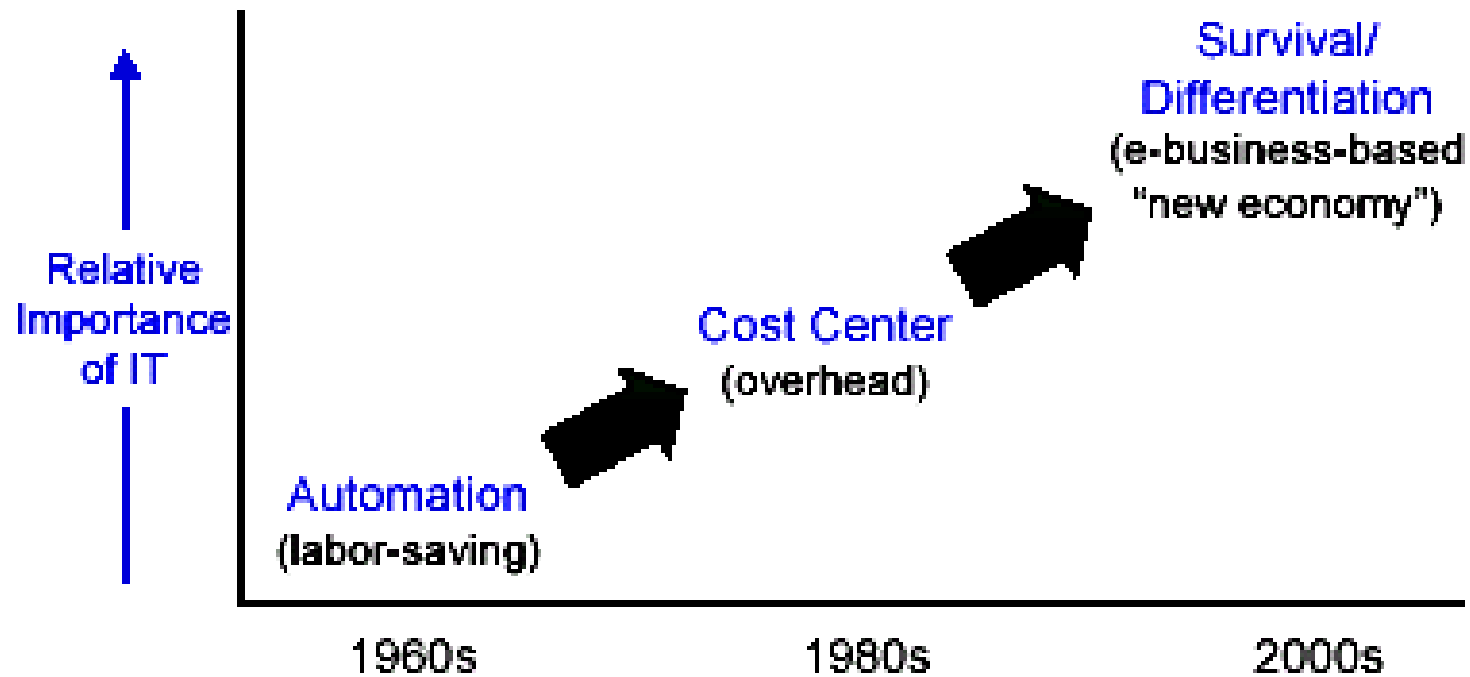
- Transactions and tasks are further automated
- IT cost climbs to more than 20 percent of revenue

High correlation between infrastructure and organization

- Workplace and work are IT defined
- Organization is optimized around IT initiatives

From IT Investment to Business Value

IT Value Has New Meaning



IT Value Has New Meaning

- The recognition of the increasing value of IT to the enterprise is illustrated by the number of organizations that now have moved up the oversight of IT to the very top level of the management hierarchy.
- IT oversight is often in the hands of a subcommittee of the senior management committee.
- IT has frequently become the concern of the Board of Directors, especially in the context of e-business and e-government.
- Any firm that now considers IT as primarily a “cost center” and merely “overhead” is headed for trouble in the vast majority of businesses.
- Today, and changing even more rapidly all the time, many enterprises are coming to realize that near-term IT investments will be the foundation of their very survival, or at least the means with which to differentiate themselves.

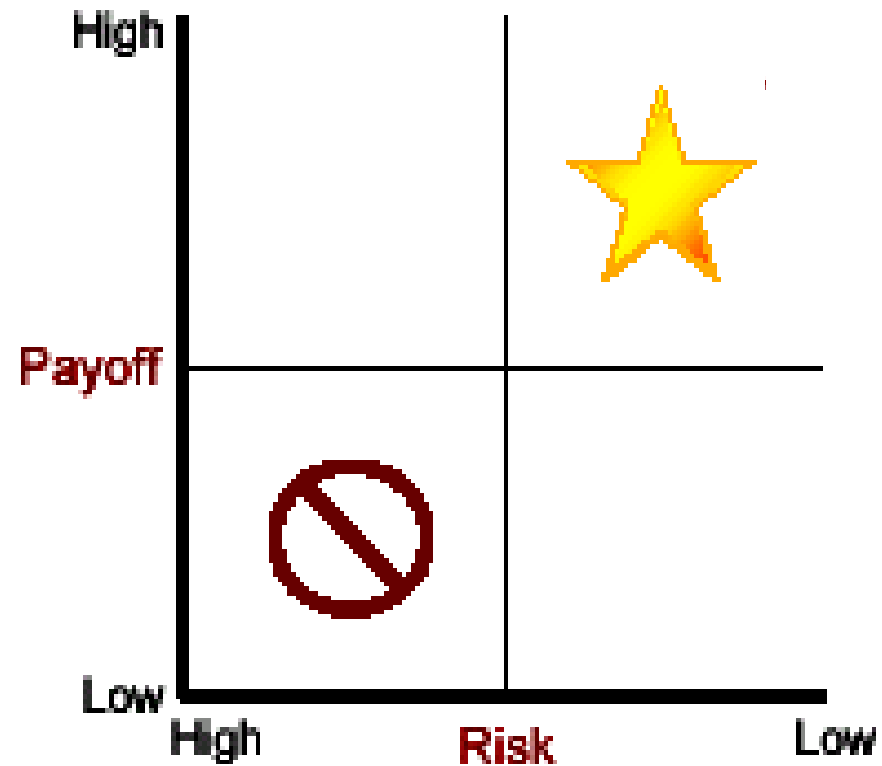
Impact of IT

- To support the importance of IT in the economy, the capital investments in IT and communications have grown enormously over the last twenty years to the unprecedented level of more than 50 percent of the U.S. total business capital equipment spending.
- This easily beats out production equipment expense or transportation equipment.
- We truly are becoming an information economy.

IT Investment Opportunities

- The ability to derive value from an IT investment covers many possibilities – **new applications.**
- Applications require a corresponding investment in infrastructure as a base of capacity to deliver the
 1. availability
 2. response time
 3. customer service that is to be the “right” level — spelled out in a ***service-level agreement.***

Prioritization: *The Process of Ranking*



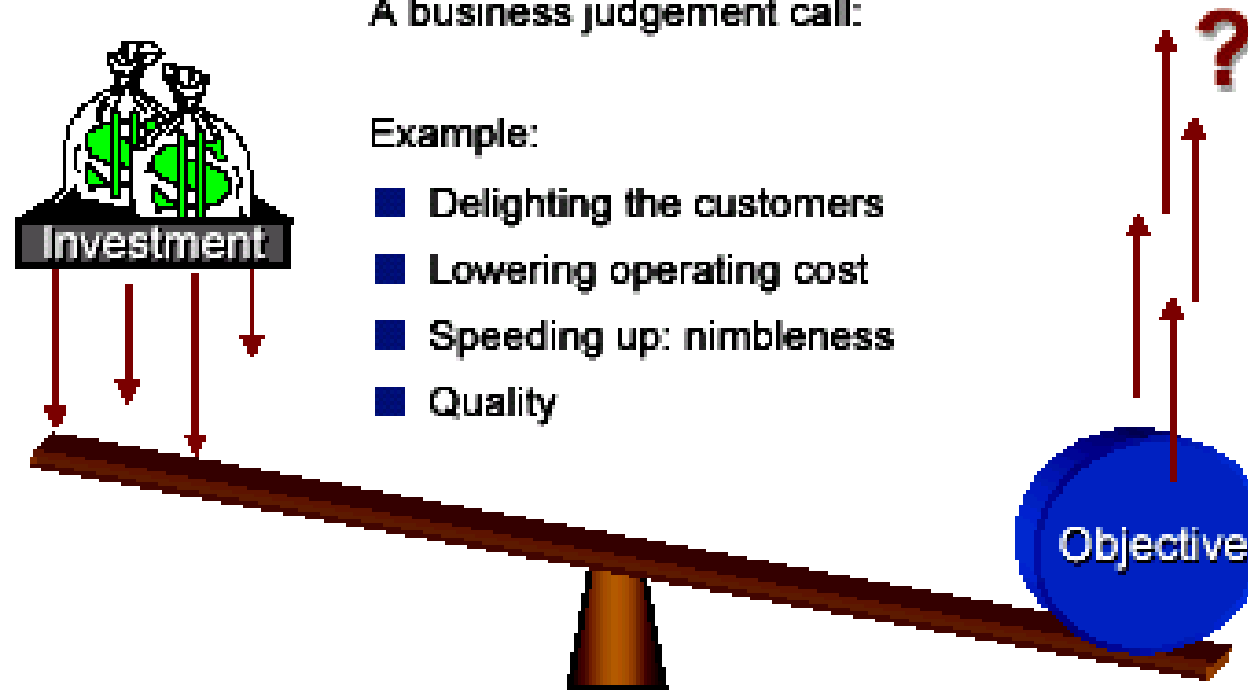
Criterion Two: *Business Impact* *The Most-Critical Factor Today*

"The degree to which this investment contributes to achieving a key business objective"

A business judgement call:

Example:

- Delighting the customers
- Lowering operating cost
- Speeding up: nimbleness
- Quality



Criterion Two: *Business Impact* *The Most-Critical Factor Today*

- That broad set of goals can be described as *operational excellence* — generally not a very successful strategy,
- It is usually more effective to **avoid scattering efforts by selecting a few objectives** and seeing that real progress is made in accomplishing them.
 - IT can usually help play a role in this effort.
- The task then is to be able **to size up the impact of an IT investment toward a business objective.**
- *The lack of basing IT decisions on business objectives is still the largest single shortfall among IS organizations.*

Criterion Three: *Risk*

Always a Caution to Evaluate



The IT Management Challenge

- Traditional IT measurements have focused on specific IT component functions such as
 - data center management,
 - network management
 - application development productivity
- These are *production-side measures aimed at functional management*.
- These measurement methods have a number of weaknesses, including:
 - Lack of an outward customer focus
 - Inability to communicate value of service
 - Inability to communicate a strategic direction

The IT Management Challenge

- The challenge for IT management is to encourage, recognize and reward the appropriate behavior in individuals to set the pace and tone for the IS organization.
- IT management must demonstrate to business managers *that the IS organization as a whole understands and supports the business goals.*
- To accomplish these dual goals requires that IT management adopt/adapt new management tools such as the ***IT balanced scorecard.***

Conclusions

- IT has transformed from a cost-cutting tool to a business-enabling asset.
- More capital is invested in IT annually than other business assets.
- Moreover, information has become the currency of the new economy.
- Complicating this issue further is the fact that ensuring that IT investments provide business value is the province and responsibility of the enterprise's executives and business-unit managers.
- IT must be collaboratively coordinated within the context of business strategic and tactical imperatives to deliver value.