THE JOURNAL REPORT: LEADERSHIP

IT Is From Venus, Non-IT Is From Mars

If only the different departments talked the same language, their relationship could be so much better

By George Westerman

James Yang

Any marriage counselor will tell you there are two sides to every story. And that can be OK—as long as each side understands the other. But marriages suffer when the two sides can't find ways to communicate and resolve their misunderstandings.

In many companies, the relationship between IT and business leaders is a very troubled marriage indeed. Miscommunication is rife, leaving executives struggling to figure out what's working for the company, what's not, and how to improve the situation. Can a marriage like this be saved?

It can, when IT and business executives have a clearer understanding of the needs of both sides, how they work and the challenges they face. That means business leaders and IT executives talking *with* each other about their operations and about how IT can help the company fulfill its goals, instead of talking *past* each other about how one side or the other is preventing that from happening.

Four separate studies by researchers at the Massachusetts Institute of Technology show that transparency—clear communication about IT performance and decision processes—is the best predictor of the business value of IT. These studies all show that transparency creates an environment that improves both IT performance and the IT/Business relationship.

Here are four areas where IT and non-IT executives often fail to understand each other clearly, and how transparency can help.
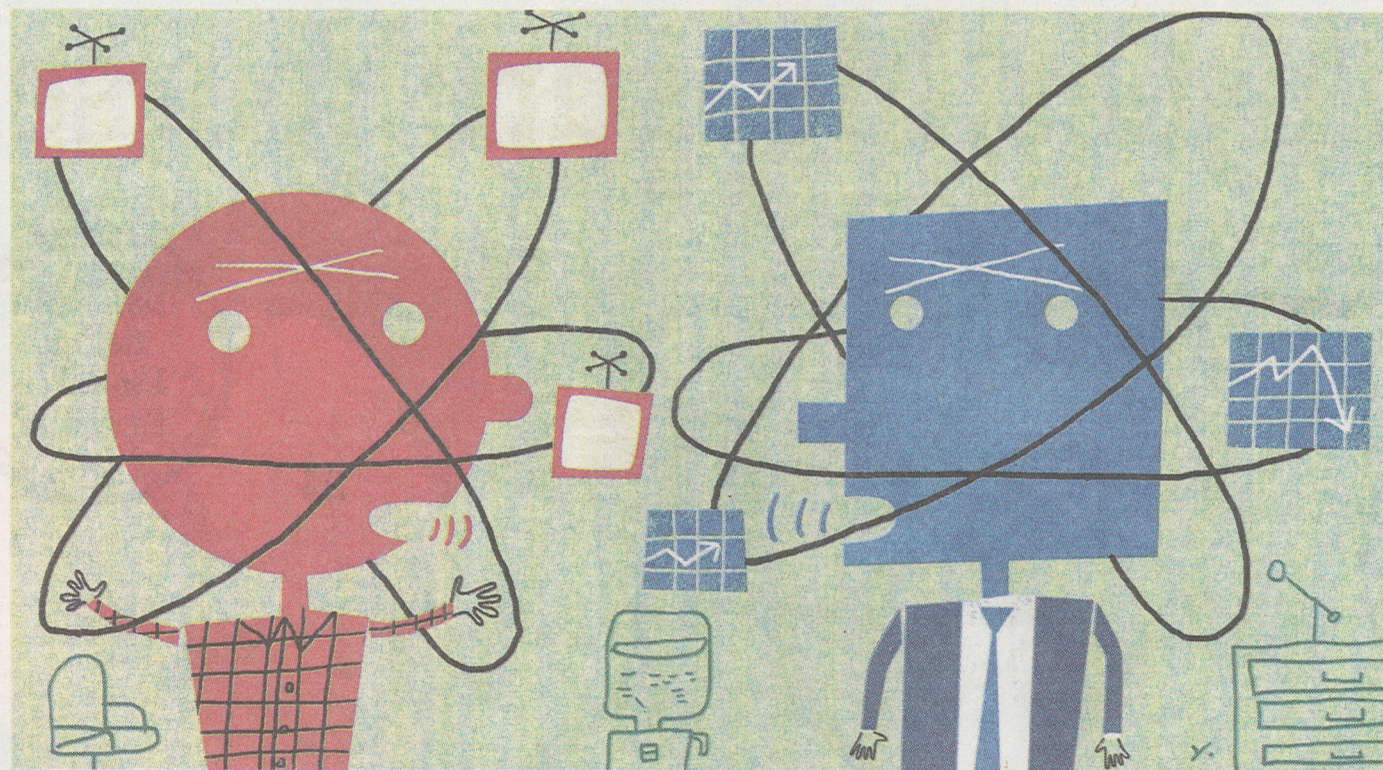
IT Cost and Performance

Business says: *"IT costs too much; we're not getting the service we're paying for."*

IT says: *"Given our budget constraints, we're doing really well."*

Who is right and who is wrong? Without a clear understanding of IT performance, there's no way to know.

Here's an example: The IT unit in a multibillion-dollar auto retail firm was considered "fat and happy" by those outside of IT. Was it too expensive? Perhaps. But happy? Not at all. IT people were trying to do a good job, but all they heard were complaints about costs and failures.

The first step in fixing the situation was to understand exactly what IT costs and performance really were, not just what they seemed to be. IT leaders started tracking downtime and problem-resolution time, as well as project and budget performance. They made the information available in ways that everyone could understand.

The *informed* verdict: IT wasn't as good as the IT people thought and it wasn't as bad as the business side thought. Most important, everyone now knew exactly where things stood and what needed to be done. Over the next few years, IT costs dropped while performance improved. Satisfaction increased for both business and IT people.

Business leaders started to trust the IT leaders more. Plus, the new clarity led to easier decisions during budget time.

Before all this, when a major outage occurred, business executives called for the CIO's head. When a similar outage happened five years later, business chiefs took it in stride, saying, "They're doing a great job. Everyone has a hiccup from time to time."

Risk Management

Business says: *"I want it this way."*

IT says: *"We can't do it that way."*

In too many companies, the CIO is seen as the "CI-No."

To many on the business side, the way things should work seems simple enough. They want IT changes—new mobile devices, maybe, or new system functionality—and they don't see why IT can't deliver what they want. But obviously there's more to the story.

IT leaders know it's not that simple. They need to be sure that any changes don't compromise the safety of the company's IT systems and business processes. And they know the downsides of introducing nonstandard devices or unnecessary software customizations. Exceptions create complexity, and complexity is the major driver of extra cost and risk in IT.

The key in bridging the gap is for IT leaders to explain clearly the reasoning behind saying "no." If they give the business side enough insight, future requests might even be more reasonable. IT people also need to be open to exceptions when the new approach is much better than the standard approach, or when there is another good reason for it. Meanwhile, business people should aim to say what they want to do without requiring it to be done a certain way.

For example, in a major energy company, when people request something that won't work well, the CIO says, "Give me a couple of weeks." Soon, he's able to say, "Here are the costs, benefits and risks of doing it your way. And here are two other options that do what you want, but are better."

Prioritization

Business says: *"I need this right away."*

IT says: *"Sure, but three other executives just told me the same thing."*

IT people are in a tough situation. While they have to provide service to every unit in the organization, business-unit chiefs tend to recognize only the work IT does directly for them. One CIO said, "We need a way to ensure that resources go to the right people, not just to the ones who yell loudest."

To accomplish that, executives need to decide which projects are most valuable to the company. The most successful companies have clear ways to estimate the value of every proposed project—how much it will boost sales, say, or increase efficiency. Then they have a clear method to decide which projects are most worth doing. Some firms use a steering committee headed by the CFO or CIO. Others use different methods. Whatever method is used, there must be a way to ask tough questions to ensure the company allocates its IT resources wisely.

But it doesn't end there. Any good manager knows how to game a system like this by inflating a project's projected value or overstating its prospects of success. So the best companies require executives to report back with evidence on whether each project met its goals. That reduces fibbing and helps executives learn how to drive more value from IT.

Accountability

Business says: *"Why do you make me go through all of this bureaucracy?"*

IT says: *"Our methodologies are how we make sure everyone does the right thing."*

It may often seem to business leaders that IT's answer to every request is more procedures—more forms to complete, reviews to attend and approvals to get. These procedures, or methodologies, require effort, but they help to ensure that nothing important gets forgotten and that everyone knows their roles.

They become a sore point, though, if people don't understand the purpose of each step, or if the steps become a bureaucracy aimed at enforcing unnecessary rules rather than helping requests to be executed well. As with the prioritization processes described earlier, the best companies have solid IT methodologies, and IT people make it as easy as possible to follow them.

The CIO of a defense contractor decided to convert IT's development methodology to the same one the firm used for product-development projects. Suddenly, everyone knew what they were supposed to do, what questions to ask of whom, and how to deal with the answers. Executives made better decisions, project performance improved, and so did the relationship between IT and business people.

Creating transparency takes extra time and effort on everyone's part, especially IT's. But this is one project that definitely pays. Transparency around performance and decision processes improves the business value of IT and builds trust between business and IT people. As everyone learns to work better together, IT becomes part of the company's business-level decisions and initiatives, not its own world. When that happens, the marriage of IT and the business side is really working.

Dr. Westerman is a research scientist at the MIT Center for Digital Business, part of the Massachusetts Institute of Technology's Sloan School of Management. He can be reached at reports@wsj.com.