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The Right Fight for IT *Transformation Through Creative Tension*

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EXECUTIVE SUMMARY

Battles among executives in large organizations are common. Too often, however, the motives are personal, or merely political, and not geared to the overall benefit of the organization. IT departments are particularly susceptible to such fights. Internecine struggles between the infrastructure operations and the application development people are common, as are fights between IT and the business side.

Fights within organizations are inevitable, and even healthy. But executives need to pick their fights carefully. The “right fight” should have a valuable, material goal; it should be about the organization’s future, not the past; and it must have a noble purpose that stakeholders can rally around. And right fights must be fought fairly, in such a way that even the losing side comes away with the sense that it gained something.

This is no less true in the case of IT. The fights fought by Charlie Feld to transform technology at railroad giant Burlington Northern and by LaVerne Council to centralize the IT function at Johnson & Johnson were ones that mattered. Both fights drew on organizational tensions that already existed, and both ultimately generated tremendous financial and strategic value.

PICKING FIGHTS

Charlie Feld joined Burlington Northern in the mid-1990s after serving as CIO at Frito-Lay. When he arrived, he couldn't believe what he found. "I used to be able to tell you where every bag of Doritos was in the country, and they lost *locomotives*. How is that possible?" After just three months on the job, Feld had come up with a plan to bring the railroad into the information age and had already let go 100 of the IT department's top 150 managers.

Clearly, Feld had to engage early on in what we call the "right fight." Every experienced executive has engaged in a good fight or two in his or her career. But was it the right fight? Was the fight intended to accomplish a particular purpose, or was it simply a political squabble? Did the fight

ultimately improve the company's competitive position, or was it just an internecine struggle for power and resources aimed at enhancing the position of a function within the company?

Conflict, tension, and dissent are inevitable consequences of life in large organizations—but they can also be positive forces for good. For that to happen, however, those forces must be channeled and managed. Executives in every organization can benefit from understanding the principles of the right fight—not least of all IT leaders. In all too many organizations, IT departments fight internally, and they fight with the business. It is critical, we believe, that IT get these fights right.

WHY THE RIGHT FIGHT?

A peaceful, harmonious workplace can be the worst thing possible for a business. Conventional wisdom has it that it's always better to make nice and have agreement within organizations. In reality, however, it isn't true. "Nice" managers typically have very low levels of relationship capital—i.e., internal influence—because they don't fight for what they need. In fact, research shows that the biggest predictor of poor company performance is complacency. Yet "nasty" managers—those who behave in a passive-aggressive manner, do things for their own good at the expense of others, or hold and act on petty grudges—don't fare any better. Leaders with high degrees of internal influence are respected, typically because they get things done, they aren't afraid to raise important issues early, they treat people with respect, and they stick to their guns.

Not everything is worth fighting over, however. Picking which fights to fight is critical. Right fights embody three vital principles. First, the fight must involve an issue that will make a material, game-changing difference to the business. Second, the fight should be about how the enterprise should work in the future, and not about the past. Third, every fight should have a noble purpose—improving the lives

of customers, for instance—around which colleagues will likely rally.

It's also critical to fight right. Fights need rules and an impartial referee to ensure that all voices are heard and that opposing sides have an equal shot at winning. Moreover, these debates should arise out of formal organizational positions of advocacy, but they need to be fought and resolved through informal, trust-based relationships. Finally, it's critical that fights end in such a way that even the losers gain something from the competition.

For IT leaders trying to accomplish major IT transformations, the single biggest predictor of success is their ability to get two critical tensions right. The first is the inevitable debate that springs up in any IT organization between the infrastructure (production) side of the house and the applications (development) side. The second is the necessary give-and-take between what business leaders want and expect from IT—given their frequently narrow view of technology—and how forward-thinking IT leaders hope to go about transforming the business. How should CIOs structure and engage in the inevitable conflicts that arise from these two tensions?

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INTERNAL TENSIONS

As virtually every IT leader knows, internal tension is woven into the fabric of the typical IT organization. The infrastructure teams compete with the application teams for resources and technological control. And the infrastructure side often must charge application groups for access and performance levels. The result is too often an unhealthy battle for resources and technological supremacy, grounded in politics, turf, and personality. And large IT transformation efforts only exacerbate such tensions.

Yet these inevitable internal tensions have the potential to lead to healthy competition that can foster debate over the best internal technology and the most valuable ways to support the business. Exceptional IT leaders have the ability to referee these technology and silo wars in a way that consistently makes progress toward long-term goals such as platform simplification and lower costs, while delivering real short-term benefits to their user communities.

In 2006, LaVerne Council became the first global CIO of Johnson & Johnson. Until then, the company's IT organization mirrored its highly decentralized structure. Her job: to realign IT to realize economies of scale without undermining its 250

individual operating companies. Many people inside the company were resistant to change; some seriously doubted whether Council could succeed.

J&J's business units had long viewed IT as an ever-increasing cost to their operations, not as a source of business value. Council's initial challenge was to persuade the operating companies to share costs with her office on new initiatives because her own budget was minimal. To build support, she spent her first 100 days on the road talking to all the business heads and anyone else who would listen, convincing them that it was time to start reaping economies of scale. She was delighted to discover that many of the business units were eager

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to sign up. They wanted better IT systems and were enthusiastic about cooperating with someone who was promising a leap forward in capability at lower cost.

Council rewrote the rule book through a great deal of discussion and consensus building. The company's executive committee agreed with her plan to change the IT reporting structure and governance. And it supported her decision to remake the existing IT leadership group into a team capable of working to design and implement a strategy that would transform IT into a true driver of business value.

Armed with a focused strategy built through consensus, Council began to establish herself as a tough but fair head coach for the IT organization and an objective referee between IT and the company's multiple stakeholders. Council knew she had a right fight on her hands—restructuring J&J's IT function certainly mattered,

and she had a clear vision of what it would look like—but she also knew that to win the fight, she would have to fight right.

Among the stakeholders were the many vendors with which the IT organization, in its many business unit-linked incarnations around the company, did business. Historically, J&J's IT leaders in the various businesses had their own contracts with vendors for everything—computers, phone systems, networks, systems programming, IT support. The company did not have a single IT master service agreement; everything was purchased on an à la carte basis. Council established a new group called IT global services and mandated that all contracts with vendors for application design, development, and support go through this group. Similarly, a new IT strategic sourcing group would be the point of contact for all vendors of hardware, software, and other IT components.

Both groups asked vendors to respond to formal requests for proposals (RFPs) for enterprise-wide service agreements. The bidding process became highly competitive, but Council made sure bidding took place on a level playing field. She directed both groups to consider every enterprise bid equally, with no advantage for vendors that had previous contracts with the company. Some of the major vendors didn't believe in her game plan, so they played the old way. They lost.

Through just such efforts, Council showed all the stakeholders at J&J that she fought fairly—by focusing on value, transparency, and strict business ethics—but that she also wanted to win. J&J employees across the globe now understood that Council would fight for what was right while ensuring firm but fair competition. To her, it was high-minded sport, not war.

EXTERNAL TENSIONS

The challenges involved in how IT organizations work with the business side are even more complex than the typical internal issues, yet the tension inherent in the relationship has even more potential to produce real business benefits. But that potential can be reached only by channeling the tension into fights that bear material results.

Tension, and the potential for the wrong fight, is everywhere in the IT–business relationship. If IT leaders simply give each business unit whatever it wants, with little or no consideration of the need to optimize the entire company’s technology efforts, the business won’t ultimately win. The IT organization is likely to break up into separate mirrors of each business unit, with the attendant risk of creating multiple hardware stacks, development silos, and the like. The result will be limited scalability and reuse—and ultimately an extremely expensive IT organization that spends

more money and resources to support existing underperforming applications than to develop new ones.

Here is where IT leaders can make the right fight work for them—and the business. When run well, IT organizations can help the business unlock extraordinary value by providing a lens on how things actually work in the organization—and how they could work under optimal conditions. Operational IT systems need to understand the “physical” side of the business in a very deep way—how a passenger checks in for a flight and produces a checked bag that has to make it to the plane, for example. Yet too many businesses are organized around functional silos, with the result that one function doesn’t necessarily know what the others are doing, or how they are doing it. This is where the IT organization, if properly motivated, can help the business create highly responsive, end-to-end processes,

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regardless of how the company is organized to manage those processes. But it often takes a fight to push through this kind of major transformation.

On one level, Charlie Feld's task at Burlington Northern was simple: to bring an enormous railroad business that operated on 100-year-old principles into the modern age. The changes needed were indeed material—to finally sync up the physical railroad with the railroad as perceived by IT and operations—and the potential benefits were significant.

When Feld arrived, Burlington Northern was a series of silos. Customer service was broken up by what was being shipped. Prices were quoted from huge loose-leaf binders. Different departments had different technologies, and IT systems didn't talk to one another. No one even knew where the trains were at any given time.

Feld and his team began by mapping out the technical challenges in a 90-day diagnostic that clearly contrasted an objective view of the current state of operations with a future vision of what was possible for an effectively scheduled railroad. Then Feld presented his case to the board. It approved his plan to spend more than \$100 million over 18 months to build the new systems. The plan was not painless or without conflict. But according to Feld, the hardest part wasn't laying people off or figuring out the significant technical challenges involved. It was persuading all the functional departments to embrace a new way of working.

Feld was a master at painting a compelling future vision. But he knew that for people to embrace that future, they had to understand the very real gap between Burlington Northern's current operations and the ideal state of end-to-end integration he envisioned. So he hosted a pilot

demonstrating the new systems. A customer call automatically triggered integrated sales, pricing, and logistics information, allowing reps to give their accounts real-time status of shipments, payments, and quotes. Dispatchers could view trains and their locations alongside weather forecasts, commodity prices, and closed-circuit images of switching locations.

Ultimately, the new systems were delivered on time and under budget. And the new way of working has fundamentally repositioned the company against its nearest competitor, Union Pacific Railroad. From nearly identical starting points in 2004, Burlington Northern's stock price has more than tripled and is currently twice that of its rival. By making the cause material, focusing on the future, and providing a compelling vision, Feld picked a right fight in building the new Burlington Northern.

FIGHTING AND WINNING

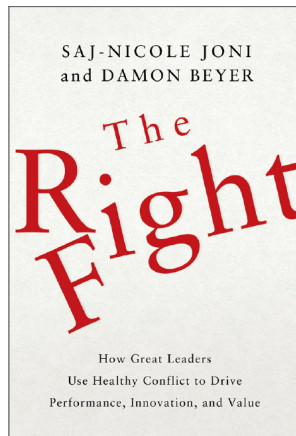
The goal of any fight is to win. But the definition of winning varies. Executives who define winning by how much more power they gain, or by the amount of resources a rival unit loses, have surely won what will turn out to be a Pyrrhic victory. Only when the result works to the benefit of the larger organization, and by extension to all its stakeholders, can it be said that “the game is worth the candle.” That was certainly the case in the IT fights that Feld and Council fought, which led to stupendous positive results—both

strategic and financial—for both their organizations.

The business environment is becoming more and more competitive, and every company needs great technology to succeed. As such, there are key fights in IT, whether internal or external, that are indeed “worth the candle.” IT leaders must therefore use the tension inherent in all IT organizations to find the right fights—the fights that are worth winning—and then lead the entire organization in fighting them right.

Acknowledgement

This Perspective is based on material prepared by Booz & Company alumnus Damon Beyer and Saj nicole Joni in connection with research they conducted for their book, *"The Right Fight: How Great Leaders Use Healthy Conflict to Drive Performance, Innovation, and Value."*



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