

Over to You

Is it time to hand IT sourcing to the supply chain department?

By Chris Potts

Expert customers of IT know how to shape, source and exploit IT investments as an integral part of their strategies and operating plans. IT departments were once key players in all three areas but for many this is now down to one, sourcing. As companies' supply chain management matures, and depending on the CIO's strategy, this could soon turn into none.

I've been tracking the evolution of IT departments for a long time. Twenty years ago, when I transferred from customer service to IT, we in-house IT specialists were integral to the business we worked for. We collaborated as equals with colleagues in other departments to shape the company's processes and technologies, get the IT delivered and create value. The executives knew how they were exploiting IT in their strategies and operating plans and treated us as fully-fledged members of the corporate team.

Much has changed over the intervening years. Most IT departments are now quasi-suppliers of IT. They measure performance using supply-side metrics, refer to their colleagues as customers, 'charge' them for services and have relationship managers to bridge the gap that has opened up between themselves and 'the business'. If they have an IT strategy, is unlikely to be the same as the executives' strategy for IT.

Of the three 'expert IT customer' accountabilities, exploitation and investment correctly rest with line managers but most freely admit that their capabilities in these areas are low. The IT department remains accountable for IT sourcing. Many IT people are frustrated by the low level of influence they have over business decisions.

The more the IT department consolidates its position as a quasi-supplier, the less it will be allowed to manage the company's core interests as a customer of IT. The inherent conflict of interest becomes increasingly obvious. Someone else will need to take accountability for IT sourcing, most obviously the company's supply chain people. Some CIOs will see this as a liberating opportunity to become a fully-fledged supplier, or to focus more value-adding capabilities, while others may see it as threat.

Each CIO faces a fundamental strategic choice. Would you rather be a supplier competing with other, external, suppliers or the company's chief expert in IT exploitation and investment? You will not be allowed to be both. Therefore, would the transfer of IT sourcing to the supply chain department be a good tactic, or a bad one?

Let me lead the witness. Many line managers know that they struggle with IT exploitation and investment, yet these are the truly value-creating aspects of IT management. Also, the CIO is not the only one facing this strategic choice. The CEO has it too: if the CIO wants to be a supplier, then who is the company's chief 'expert customer' of IT? This has typically been the CEO or CFO but in future it may be the head of supply chain. None of these options is ideal and each puts a different twist on the customer's strategy for IT, but someone has to do it.

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