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The Technology Disconnect

IT'S HARD TO FIND a glimmer of hope in the technology world these days. Recently, research firm IDC reported that 2002 will be the worst year in history for technology spending, declining by over 2% following two decades of heady, double-digit annual growth. The good news, we're told, is that the recovery is in sight. I'm not so sure.

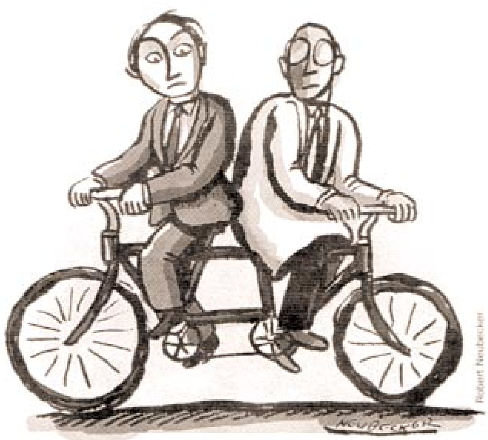
There is a fundamental issue, often ignored, that lies at the heart of the IT meltdown. Over the past few years, CEOs have squandered enough money on lousy technology investments to make Dennis Kozlowski blush. Morgan Stanley estimates the figure at hundreds of billions of dollars. The question that may determine when technology revives is whether CEOs feel any smarter about how to get actual value from all that money. The evidence suggests the answer is no.

This dismal state of affairs stems from a basic communications problem that has been wreaking mayhem since the earliest days of IT. Every technology project ultimately unites strange and reluctant bedfellows: business executives and IT professionals. These are types who live in different worlds and speak different languages. But often high-stakes, very expensive IT projects hinge on their ability to exchange information.

With rare exceptions, then, the so-called strategic application of technology is little more than a grand experiment which demonstrates a disconnect between business and technology.

Look at one area where technicians and business people successfully collaborate every day: the engineering process. When an auto manufacturer designs a new vehicle, it first works out the design, then it moves to tabletop models, then to full-scale models, then the test track, and then into limited production. The truck goes into commercial production only when all the parties–marketing, finance, legal and engineering–agree that the design achieves all of its engineering and business objectives at a competitive cost.

This bears no resemblance to the way corporations approach technology projects. Most, facing pressure to deliver fast



results, fail to visualize the overall effect of change, and plunge too soon into costly–and often irreversible–implementation.

Part of the problem is that despite lip service, most executives still treat technology as a cost center–not a vital, contributing part of the business. You can bet that no CEO in his right mind tolerates a 50% decline in sales or a comparable defect rate in a product it manufactures and sells. Yet when a company wastes 8% of its revenues on a dysfunctional IT system, it gets dismissed as a cost of doing business. Technology is not R&D. It is an integral part of how companies create value. It needs to be understood and managed this way.

Unfortunately, there is an instinctive bias against modeling among many business executives, who see it as a time-consuming and expensive diversion, more relevant to pocket-protector friendly environs like nuclear engineering or genetics. Today, however, powerful new modeling tools are available whose impact is analogous to how spreadsheet software like VisiCalc revolutionized the financial world in the 1980s.

Finally, it seems logical that people who are actually going to use a system would have a major role in designing it. But logic can be elusive; few project teams reach out as broadly as they should in their work.

One exception is DuPont, when it designed a system for autobody repair shops and distributors to order its paints on line. Typically, a company would base its system around its internal needs and processes. But DuPont went out of its way to tap the thinking of its customers and employees. These business insights were incorporated into the technology design, which was highly successful.

The technology trail of tears did not begin with the stunning reversals that vendors experienced when corporate customers stopped buying. The trailhead lies much further back, in an area of profound disconnect between business and IT decision-makers. Until corporate executives overcome the disconnect and find a path to proving that each major purchase will return value to the business, a sustainable technology recovery just isn't in the cards.

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