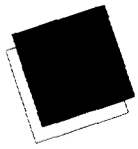
Kodak", by I. Alon. This article was originally published in *Thunderbird International Business Review*, Vol. 43 No. 6, 2001, ISSN 1096 4762. Other sources are: www.Fortune.com/streetlife, February 2002, and Business week Online, January 2002.

Comment
The Heracleous article provides a highly readable critique into why the beer industry failed to capitalize on a seemingly perfect market. Detailed analysis is provided along with implications on a wider scale, which gives this article additional value.

Alon's study of Kodak's entry into the Chinese market may not be the most readable of articles but it is thorough, informative and insightful. Kodak has reaped the rewards of setting out clear objectives and taking local factors into account (government systems, consumer preferences, etc). The evaluation of lessons learned by Kodak is highly applicable to organizations considering a move into the Far East.



Home Depot in the know when it comes to IT investment

Do any of these sound familiar?

"I know that I need IT but am unsure what systems I require and why."

"If the IT department say we need it, we get it. We don't consider the costs."

"If I don't see a financial return on investment, the information system is not worth it."

Getting to grips with IT expenditure

These are just some of the feelings voiced by practising managers when it comes to IT investment. In a recent survey, 73 percent of managers believed it was an advantage for management to have an IT background, and yet half thought that the level of IT understanding throughout their organization was less than average.

The rising trend in IT expenditure over the last two decades has coincided with the growing number of products available on the market. Today, managers are under constant pressure to determine whether or not they need IT to remain competitive and to know how the adoption of various IT initiatives could improve their organizational performance. This is not surprising when you think of the immense rewards an effective information systems (IS) strategy can offer.

Home Depot invests for success

Take, for example, Home Depot – the world's largest home improvement retailer that recorded fiscal year sales of $45.7 billion in 2000. At this time it was operating in over 1,134 retail locations with information systems that annually processed nearly one billion cash register transactions and supported over 450,000 pieces of technology.

One aspect of Home Depot's IS strategy is the Special Projects Support Team (SPST). Originally comprising three members, this information services team was formed in 1997 when the organization was involved in a large-scale legal case. Home Depot needed to process and present over a terabyte (one trillion characters) of information. The newly created SPST helped to develop the software systems capable of handling this amount of data, and within six and a half weeks had achieved its objectives.

The SPST then took on a growing number of other projects until in 1999 its 40 members were involved in the research, implementation and prototype application development across the business. In June of that year, they faced a massive change as the Home Depot Web site was developed. It was at this point that SPST members gravitated towards the Internet initiative. Home Depot's Web site was far from typical of the dotcoms springing up at that time. The online products were available in all stores, online purchases could be returned to any outlet and Web site information was readily available for any customer who entered the bricks and mortar establishment.

This approach clearly paid dividends (the figures above speak for themselves) and for three out of the past four years, Home Depot was selected by *Computerworld* magazine as number one place to work in information services.

So why did Home Depot succeed at a time when so many other dotcoms were logging off and going home? What made its IT investment so worthwhile? One fundamental reason is that Home Depot understood the potential of aligning its IS strategy with wider organizational objectives.

By aligning its information systems with the rest of its organizational goals, Home Depot was able to integrate IT successfully with the rest of the business. This meant that not only did senior management develop a heightened awareness and use of IS, but it was also possible to monitor and assess this investment in line with other projects and not simply look for a physical return on investment (ROI).

Hard to invest, harder to assess?

The question of monitoring is a crucial hurdle to overcome due to the lack of expertise found amongst non-IT managers when it comes to justifying investment in this area. Many organizations use traditional appraisal techniques and simply look to the tangibles when measuring the effectiveness of IT. What ROI has it provided? How much did it contribute to the bottom line? However, not all benefits are financial.

Managers also find IT projects difficult to evaluate for the following reasons:

- IT is seen more as a support than a strategic tool. It is a marginal aspect of the business instead of part of the infrastructure.
- Executives tend to be IT illiterate. They are unsure about how to implement it successfully and are unable to justify the high costs with the development and use of IT in financial terms.
- Most view IT from a technical rather than a business approach.
- There is seldom any differentiation between IT and IS. Whereas IT represents the convergence of computers, hardware, Internet and their resulting technologies, IS is a wider concept. It refers to how information flows are designed in order to meet organizational information needs.

Strategic alignment

By talking in terms of IS, it may be easier for a practising manager to understand where this can fit in with the overall picture as opposed to becoming bogged down in technical detail.

IS strategies can vary, from the simple model of focussing upon one function (e.g. cost reduction vs. differentiation) to more complex, multi-dimensional designs. Naturally, it all depends upon your business strategy. For example, if your strategy is:

(1) *Defender* (sealing off a stable and predictable but narrow segment of the market by offering high quality products at relatively low costs) – then

your IS strategy should be alignment through low-cost delivery based upon outsourcing and centralization.

(2) *Prospector* (seeking new opportunities and breaking into new segments of the market) – your IS strategy should be alignment through business leadership based upon insourcing and decentralization.

(3) *Analyzer* (attempting simultaneously to minimize risk while maximizing opportunities for growth) – your IS strategy should be alignment through partnering based upon selective sourcing and proactivity in innovating the business.

However, it is not always this simple, especially when you bear in mind that for a successful business, corporate strategies are not fixed entities. They have a degree of fluidity, and therefore your IS strategy must be prepared to shift at exactly the same pace in order to stay in line. This is no easy task for a non-IT manager who has just got his head around the current IS strategy!

Framework for justifying IT investment

Once your strategy has been identified, it becomes necessary to look at the myriad factors involved in justifying an IT investment, such as:

- *Strategic considerations* – an IT strategy must be linked to the objectives of the business. This will serve not only to establish a clear strategic direction but will also define the boundaries against which various inputs can be established and measured on an ongoing basis. Typical concerns here are profit in relation to sales and investment, and growth with regards to market share.
- *Tactical considerations* – "tactical" critical success factors need to be identified that are project specific. Both short-term and longer-term objectives must be considered and could include generating data, evaluation methods, security and performance indicators. Involvement of senior management is key, as it will invariably facilitate understanding and logical evaluation further down the line.
- *Operational performance* – this is where "project specific" critical success factors are identified. These are the day-to-day requirements. Here, the existing IT infrastructure must be opened up and examined in relation to potential integration problems.
- *Financial considerations* (tangible benefits) – is your company in a position to make such a financial investment? Does this fit with your overall strategy? And what is the overall outcome of the investment in terms of return on investment (ROI) or profit increase? It is also useful to bear in mind the huge start-up costs of such an investment. Because of the large initial investment, there is a tendency to expect immediate returns. As a result, many IT projects are considered failures before they have had time to get up and running.
- Intangible benefits – due to the dynamic aspects of IT investment, evaluation should be an ongoing process as opposed to a one-off assessment (as it is with hurdle rates, where managers decide, depending upon the ROI at a particular time, whether a project is a success or not). Unfortunately the lack of evaluation procedures has been the downfall of many an IT project.

These issues provide a loose framework for the justification of a major IT investment. They are based upon the notion of aligning IT strategy with business objectives and highlight the very real need for ongoing evaluation.

IT in the lean and mean organization

Keywords:

IT INVESTMENT, HOME DEPOT, ALIGNMENT

As businesses move towards leaner and meaner models in a bid to survive in today's turbulent economic climate, IT, just like every other department, will inevitably come under intense scrutiny. As a manager you will need to question whether any further investment is necessary, whether outsourcing is an option, and exactly how current systems contribute towards the bottom line.

By introducing knowledge integration across business and IS domains you can cut down on "IT ignorance" within your organization and ensure that any future investment is considered logically, strategically and with more than just ROI in mind.

This review is based on: "Home Depot's special projects support team powers information management for business needs", by B. Albers, originally published in the *Journal of Organizational Excellence*, Vol. 21 No. 1, 2001, ISSN 1531 1864; "Detours in the path towards strategic information systems alignment", by R. Hirscheim and R. Sabherwal, originally published in *California Management Review*, Vol. 44 No. 1, 2001, ISSN 0008 1256; and "A model for investment justification in information technology projects", by A. Gunasekaran, P.E.D. Love, F. Rahimi and R. Miele, originally published in *International Journal of Information Management*, (UK), Vol. 21 No. 5, 2001, ISSN 0268 4012.

Comment
The Albers critique provides an in-depth look at information systems at Home Depot. Whilst there is not a great deal of practical information, it is a readable and informative piece.

Using the defender, prospector and analyzer strategic framework, Hirscheim and Sabherwal present a number of methods for aligning your IS strategy. The language of this article errs towards the technical but it is worth persisting for there is a wealth of information to be found.

The final piece includes a case study of ICL in relation to the justification of IT investment. If you are looking for practical hints, this is the most useful (and arguably the most readable) of the three articles.

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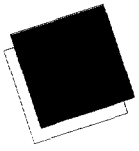

Demystifying the CRM conundrum

Customer-relationship management

Since gaining a mass following in the mid-1990s, companies have poured millions into customer relationship management (CRM) software and solutions. Over the next few years analysts predict that this high spend is set to continue. But why the explosion in investment? Can CRM offer long-term value, and if so how?

The basics of CRM have been around ever since the birth of commerce. At the heart of every business transaction lies the process of interaction between customer and vendor. Managing this interaction so that customers willingly return should be the goal of every customer-facing organization.

Enter CRM. Massey *et al.* believe that CRM is about attracting, developing and maintaining profitable customer relationships over time. In this respect it is nothing ground-breaking. What has made it increasingly significant,