

decision has implications beyond the immediate application in question. Similarly, the CIO escalates a standards decision up to the executive steering committee if the ITSC thinks that a standards decision has long-term strategic implications for UPS.

#### Discussion Questions

1. Describe the IT governance mechanisms used at UPS.
2. What does the representation of UPS's executive steering committee suggest to you? Do you think that IT plays a strategic role at UPS? Why or why not?
3. What types of skills do you think are important for UPS's CIO? Explain your answer.
4. Why can decisions about standards be important?

Source: Excerpted from Jeanne Ross and Peter Weill, "Recipe for God Governance," *CIO*, June 15, 2004, [www.cio.com/article/print/29162](http://www.cio.com/article/print/29162) (accessed July 23, 2008); and UPS, *UPS IT Governance: The Key to Aligning Technology Initiatives with Business Direction*, <http://www.pressroom.ups.com/mediakits/factsheet/0,2305,1043,00.html> (accessed July 23, 2008).

### CASE STUDY 8-2

#### THE BIG FIX AT TOYOTA MOTOR SALES (TMS)

When Barbra Cooper joined Toyota Motor Sales as CIO in late 1996, her reception was lukewarm. She was an outsider in a company that prizes employee loyalty. Cooper was surprised to find that IS was relatively isolated and primitive. "I would describe it as almost 1970s-like," she says. Business units were buying their own IT systems because in-house IT couldn't deliver. There were no PCs or network management. And basic IT disciplines such as business relationship management and financial management were largely absent. "No one understood the cost of delivering IT," she says. Unfortunately IS personnel were more like "order takers" than "business partners." Worse, business execs cut deals with their go-to guys in IS for project approval and funding, with no thought to architecture standards, systems integration, or business benefits.

Before Cooper could rectify the situation, she found herself and her staff buried under the Big Six technology projects. The Big Six were expensive enterprisewide projects that included a new extranet for Toyota dealers and the PeopleSoft ERP rollout, as well as four new systems for order management, parts forecasting, advanced warranty, and financial document management. Feeling besieged, the IS group made the mistake of not explaining to the business all the things it was doing and how much it all cost.

Starting in 2001, Japanese executives were feeling squeezed because of a tanking domestic Japanese market and lukewarm results from its global units. Toyota Motor Sales USA, though, had increasing sales and market share. Japan relied more on its American division's profits, and from across the Pacific, the parent company looked more closely at U.S. spending habits.

Both Japanese and U.S. management wanted to know more about IS's runaway costs, which had doubled after Cooper's arrival and, at its peak, tripled. And Toyota Motor Sales President and CEO Yuki Funo wanted Cooper to tell him where the ceiling of IS's spend was.

At the same time Cooper was feeling the pressure to explain about runaway costs from Japan, she also needed to respond to local grumbling that IS had become an unresponsive,



bureaucratic machine. In late 2002, Cooper hired an outside consultancy to interview TMS's top 20 executives. She wanted their honest opinions of how IS was doing. The results didn't provide all the answers to IS's ailments, but she certainly saw the hot spots. "Parts of [the survey results] were stinging," Cooper says. "But you can't be a CIO and not face that."

Cooper spent many introspective weeks in 2003 formulating her vision for a new IT department. What she developed was a strategy for a decentralized and transparent IS organization that focused all its energy on the major business segments. In summer 2003, she called her senior IS staffers into her conference room and presented her vision on her whiteboard.

The first thing Cooper did was set up the Toyota Value Action Program, a team of eight staffers responsible for translating her vision into actionable items for the department and her direct reports. Using the executive's survey results and Cooper's direction, the team winnowed the list down to 18 initiatives, including increasing employee training and development, gaining cost savings, making process improvements, ridding IS inefficiencies, and implementing a metrics program. Each initiative got a project owner, a team, and a mechanism to check the team's success.

The most significant initiative called for improved alignment with the business side. At the heart of this new effort was a revamped office of the CIO structure with new roles, reporting lines, and responsibilities.

As part of the rehaul, top-flight senior personnel were embedded as divisional information officers, or DIOs, in all the business units. These DIOs are accountable for IT strategy, development, and services, and they sit on the management committees headed by top business executives. Further, rotating high-potential IT staff into the business units primes them for a broader understanding of the company and trains them for a leadership position in the IT department. The DIOs' goal is to forge relationships with and gain the respect of high-level business executives. "I still believe in managing IT centrally, but it was incumbent on us to physically distribute IT into the businesses," says Cooper. "They could provide more local attention while keeping the enterprise vision alive."

The difference between the previous relationship managers and the new DIOs is that DIOs have complete accountability and responsibility for the vertical area they serve. For instance, Ken Goltara (Corporate Manager of Business Systems) now heads up a smaller group of internal customers—which includes Toyota, Lexus, and Scion—as well as all of the vehicle-ordering systems, logistics, and dealer portals. "I now have more vertical responsibility, and my responsibilities are deeper, from cradle to grave," Goltara says. "From Toyota to Lexus to Scion, I'm it."

Cooper changed the jobs of 50% of her staffers within six months, yet no one left or was let go. Some took on new responsibilities; others took on expanded or completely new roles. Cooper says some mid- and upper-level staffers were initially uncomfortable with their new roles, but she says she spent a lot of time early on fostering a new attitude about the change. Now she spends approximately 30% of her time mentoring and coaching, and she encourages her senior management team to also be involved in coaching.

To further strengthen the IS-business bond, Cooper chartered the executive steering committee, or ESC, to approve all major IT projects. The committee consists of Cooper; Cooper's boss, Senior Vice President and Planning and Administrative Officer Dave Illingworth; Senior Vice President and Treasurer Mikihiro Mori; and Senior Vice President and Coordinating Officer Masanao Tomozoe. By exposing IT's inner workings to the business side at Toyota Motor Sales, Cooper hoped that this new transparency would lessen IS's role on IT project vetting and monitoring and increase business's responsibility.

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### Discussion Questions

1. Describe the advantages and disadvantages?
2. What problems was Cooper facing? How do you think the new structure helped?
3. Describe the role of the Executive Steering Committee.

Source: Excerpted from Thomas H. Davenport and D.J. Patil, "Data-Driven Decision Making," *Harvard Business Review*, 86(10) (October 2008), <http://www.cio.com/archive/0415>; and Michael Fitzgerald, "How to Win the Game Now," *Harvard Business Review*, 86(10) (October 2008), <http://www.cio.com/artic>



The executive steering committee now controls all project funds in one pool of cash, and it releases funds for each project as each phase of the project's goals are achieved. Everyone in the company can look at which dollars were (and were not) going to be spent, the pool's administrators can sweep unused funds out, and other projects can go after those funds. And there are no more spending swings; projects are regularly paced throughout the year.

Initially, many business executives didn't want to participate in the new approval process that required them to seek funding through the ESC. Instead, those executives tapped lower-level business sponsors who worked with IS on business case development and implementation. But then, if a project ran into trouble, those high-level "executives would scatter like cockroaches," says Goltara. No senior-level business execs were willing to take IS project responsibility. After about six months of this, Cooper demanded that a higher-level business executive—a corporate manager, VP-level or above—back each IS proposal. Now, the ESC won't approve a project unless that support is there. "There's equal skin in the game now," says Goltara. The ESC members now grill the business executive, and not the IT executive, to see whether he or she can support the business benefits.

### Discussion Questions

1. Describe the advantages of TMS's new decentralized IS structure. What are its disadvantages?
2. What problems was Cooper trying to solve with the new IS structure? How successful do you think the new structure will be in solving these problems?
3. Describe the role of the Executive Steering Committee at TMS. Do you think the Executive Steering Committee is a good idea? Why or why not?

Source: Excerpted from Thomas Wailgum, "The Big Fix," *CIO Magazine* (April 15, 2005), <http://www.cio.com/archive/041505/toyota.html> (accessed August 15, 2005). Updated with excerpts from Michael Fitzgerald, "How to Develop the Next Generation of IT Leaders," *CIO Magazine* (May 2, 2008), <http://www.cio.com/article/print/341067> (accessed July 23, 2008).