

# MINI CASE

## Delivering Business Value with IT at Hefty Hardware<sup>2</sup>

“IT is a pain in the neck,” groused Cheryl O’Shea, VP of retail marketing, as she slipped into a seat at the table in the Hefty Hardware executive dining room, next to her colleagues. “It’s all technical mumbo-jumbo when they talk to you and I still don’t know if they have any idea about what we’re trying to accomplish with our Savvy Store program. I keep explaining that we have to improve the customer experience and that we need IT’s help to do this, but they keep talking about infrastructure and bandwidth and technical architecture, which is all their internal stuff and doesn’t relate to what we’re trying to do at all! They have so many processes and reviews that I’m not sure we’ll ever get this project off the ground unless we go outside the company.”

“You’ve got that right,” agreed Glen Vogel, the COO. “I really like my IT account manager, Jenny Henderson. She sits in on all our strategy meetings and seems to really understand our business, but that’s about as far as it goes. By the time we get a project going, my staff are all complaining that the IT people don’t even know some of our basic business functions, like how our warehouses operate. It takes so long to deliver any sort of technology to the field, and when it doesn’t work the way we want it to, they just shrug and tell us to add it to the list for the next release! Are we really getting value for all of the millions that we pour into IT?”

“Well, I don’t think it’s as bad as you both seem to believe,” added Michelle Wright, the CFO. “My EA sings the praises of the help desk and the new ERP system we put in last year. We can now close the books at month-end in 24 hours. Before that, it took days. And I’ve seen the benchmarking reports on our computer operations. We are in the top quartile for reliability and cost-effectiveness for all our hardware and systems. I don’t think we could get IT any cheaper outside the company.”

“You are talking ‘apples and oranges’ here,” said Glen. “On one hand, you’re saying that we’re getting good, cheap, reliable computer operations and value for the money we’re spending here. On the other hand, we don’t feel IT is contributing to creating new business value for Hefty. They’re really two different things.”

“Yes, they are,” agreed Cheryl. “I’d even agree with you that they do a pretty good job of keeping our systems functioning and preventing viruses and things. At least we’ve never lost any data like some of our competitors. But I don’t see how they’re contributing to executing our business strategy. And surely in this day and age with increased competition, new technologies coming out all over the place, and so many changes in our economy, we should be able to get them to help us be more flexible, not less, and deliver new products and services to our customers quickly!”

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<sup>2</sup> Smith, H. A., and J. D. McKeen. “Delivering Business Value with IT at Hefty Hardware.” #1-L10-1-001, Queen’s School of Business, May 2010. Reproduced by permission of Queen’s University, School of Business, Kingston, Ontario, Canada.

The conversation moved on then, but Glen was thoughtful as he walked back to his office after lunch. Truthfully, he only ever thought about IT when it affected him and his area. Like his other colleagues, he found most of his communication with the department, Jenny excepted, to be unintelligible, so he delegated it to his subordinates, unless it absolutely couldn't be avoided. But Cheryl was right. IT was becoming increasingly important to how the company did its business. Although Hefty's success was built on its excellent supply chain logistics and the assortment of products in its stores, IT played a huge role in this. And to implement Hefty's new Savvy Store strategy, IT would be critical for ensuring that the products were there when a customer wanted them and that every store associate had the proper information to answer customers' questions.

In Europe, he knew from his travels, IT was front and center in most cutting-edge retail stores. It provided extensive self-service to improve checkout; multichannel access to information inside stores to enable customers to browse an extended product base and better support sales associates assisting customers; and multimedia to engage customers with extended product knowledge. Part of Hefty's new Savvy Store business strategy was to copy some of these initiatives, hoping to become the first retailer in North America to completely integrate multimedia and digital information into each of its 1,000 stores. They'd spent months at the executive committee meetings working out this new strategic thrust—using information and multimedia to improve the customer experience in a variety of ways and to make it consistent in each of their stores. Now, they had to figure out exactly how to execute it, and IT was a key player. The question in Glen's mind now was how could the business and IT work together to deliver on this vision, when IT was essentially operating in its own technical world, which bore very little relationship to the world of business?

Entering his office, with its panoramic view of the downtown core, Glen had an idea. "Hefty's stores operate in a different world than we do at our head office. Wouldn't it be great to take some of our best IT folks out on the road so they could see what it's really like in the field? What seems like a good idea here at corporate doesn't always work out there, and we need to balance our corporate needs with those of our store operations." He remembered going to one of Hefty's smaller stores in Moose River and seeing how its managers had circumvented the company's stringent security protocols by writing their passwords on Post-it notes stuck to the store's only computer terminal.

So, on his next trip to the field he decided he would take Jenny, along with Cheryl and the Marketing IT Relationship Manager, Paul Gutierrez, and maybe even invite the CIO, Farzad Mohammed, and a couple of the IT architects. "It would be good for them to see what's actually happening in the stores," he reasoned. "Maybe once they do, it will help them understand what we're trying to accomplish."

A few days later, Glen's e-mailed invitation had Farzad in a quandary. "He wants to take me and some of my top people—including you—on the road two weeks from now," he complained to his chief architect, Sergei Grozny. "Maybe I could spare Jenny to go, since she's Glen's main contact, but we're up to our wazoos in alligators trying to put together our strategic IT architecture so we can support their Savvy Stores initiative and half a dozen more 'top priority' projects. We're supposed to present our IT strategy to the steering committee in three weeks!"

"And I need Paul to work with the architecture team over the next couple of weeks to review our plans and then to work with the master data team to help them outline their information strategy," said Sergei. "If we don't have the infrastructure and

integrated information in place there aren't going to be any 'Savvy Stores'! You can't send Paul and my core architects off on some boondoggle for a whole week! They've all seen a Hefty store. It's not like they're going to see anything different."

"You're right," agreed Farzad. "Glen's just going to have to understand that I can't send five of our top people into the field right now. Maybe in six months after we've finished this planning and budget cycle. We've got too much work to do now. I'll send Jenny and maybe that new intern, Joyce Li, who we're thinking of hiring. She could use some exposure to the business, and she's not working on anything critical. I'll e-mail Jenny and get her to set it up with Glen. She's so great with these business guys. I don't know how she does it, but she seems to really get them onside."

Three hours later, Jenny Henderson arrived back from a refreshing noontime workout to find Farzad's request in her priority in-box. "Oh #\*!#\*@!" she swore. She had a more finely nuanced understanding of the politics involved in this situation, and she was standing on a land mine for sure. Her business contacts had all known about the invitation, and she knew it was more than a simple request. However, Farzad, having been with the company for only eighteen months, might not recognize the olive branch that it represented, nor the problems that it would cause if he turned down the trip or if he sent a very junior staff member in his place. "I have to speak with him about this before I do anything," she concluded, reaching for her jacket.

But just as she swiveled around to go see Farzad, Paul Gutierrez appeared in her doorway, looking furious. "Got a moment?" he asked and, not waiting for her answer, plunked himself down in her visitor's chair. Jenny could almost see the steam coming out of his ears, and his face was beet red. Paul was a great colleague, so mentally putting the "pause" button on her own problems, Jenny replied, "Sure, what's up?"

"Well, I just got back from the new technology meeting between marketing and our R&D guys, and it was just terrible!" he moaned. "I've been trying to get Cheryl and her group to consider doing some experimentation with cell phone promotions—you know, using that new Japanese bar coding system. There are a million things you can do with mobile these days. So, she asked me to set up a demonstration of the technology and to have the R&D guys explain what it might do. At first, everyone was really excited. They'd read about these things in magazines and wanted to know more. But our guys kept droning on about 3G and 4G technology and different types of connectivity and security and how the data move around and how we have to model and architect everything so it all fits together. They had the business guys so confused we never actually got talking about how the technology might be used for marketing and whether it was a good business idea. After about half an hour, everyone just tuned out. I tried to bring it back to the applications we could develop if we just invested a little in the mobile connectivity infrastructure, but by then we were dead in the water. They wouldn't fund the project because they couldn't see why customers would want to use mobile in our stores when we had perfectly good cash registers and in-store kiosks!"

"I despair!" he said dramatically. "And you know what's going to happen don't you? In a year or so, when everyone else has got mobile apps, they're going to want us to do something for them yesterday, and we're going to have to throw some sort of stopgap technology in place to deal with it, and everyone's going to be complaining that IT isn't helping the business with what it needs!"

Jenny was sympathetic. "Been there, done that, and got the T-shirt," she laughed wryly. "These tech guys are so brilliant, but they can't ever seem to connect what they

know to what the business thinks it needs. Sometimes, they're too farsighted and need to just paint the next couple of steps of what could be done, not the 'flying around in jetpacks vision.' And sometimes I think they truly don't understand why the business can't see how these bits and bytes they're talking about translate into something that it can use to make money." She looked at her watch, and Paul got the hint. He stood up. "Thanks for letting me vent," he said. "You're a good listener."

"I hope Farzad is," she thought grimly as she headed down the hall. "Or he's going to be out of here by Thanksgiving." It was a sad truth that CIOs seemed to turn over every two years or so at Hefty. It was almost predictable. A new CEO would come in, and the next thing you knew the CIO would be history. Or the user satisfaction rate would plummet, or there would be a major application crash, or the executives would complain about how much IT cost, or there would be an expensive new system failure. Whatever it was, IT would always get blamed, and the CIO would be gone. "We have some world-class people in IT," she thought, "but everywhere we go in the business, we get a bad rap. And it's not always our fault."

She remembered the recent CIM project to produce a single customer database for all of Hefty's divisions: hardware, clothing, sporting goods, and credit. It had seemed to be a straightforward project with lots of ROI, but the infighting between the client divisions had dragged the project (and the costs) out. No one could agree about whose version of the truth they should use, and the divisions had assigned their most junior people to it and insisted on numerous exceptions, workarounds, and enhancements, all of which had rendered the original business case useless. On top of that, the company had undergone a major restructuring in the middle of it, and a lot of the major players had changed. "It would be a lot easier for us in IT if the business would get its act together about what it wants from IT," she thought. But just as quickly, she recognized that this was probably an unrealistic goal. A more practical one would be to find ways for business and IT to work collaboratively at all levels. "We each hold pieces of the future picture of the business," she mused. "We need to figure out a better way to put them together than simply trying to force them to fit."

Knocking on Farzad's door, she peeked into the window beside it. He seemed lost in thought but smiled when he saw her. "Jenny!" he exclaimed. "I was just thinking about you and the e-mail I sent you. Have you done anything about it yet?" When she shook her head, he gave a sigh of relief. "I was just rethinking my decision about this trip, and I'd like your advice." Jenny gave her own mental sigh and stepped into the office. "I think we have a problem with the business and we need to fix it—fast," she said. "I've got some ideas, and what to do about the trip is just part of them. Can we talk?" Farzad nodded encouragingly and invited her to sit down. "I agree with you, and I'd like to hear what you have to say. We need to do things differently around here, and I think with your help we can. What did you have in mind?"

### Discussion Questions

1. Overall, how effective is the partnership between IT and the business at Hefty Hardware? Identify the shortcomings of both IT and the business.
2. Create a plan for how IT and the business can work collaboratively to deliver the Savvy Store program successfully.