Seven practices that enhance returns on ICT investment

In 2002, Erik Brynjolfsson and Lorin Hitt undertook a large-scale survey of firms’ organisational practices and their link to productivity. They found that seven practices were more common in ICT-intensive firms than their counterparts, and these approaches were positively correlated with higher productivity. Moreover, the companies that simultaneously invested in ICT and in the practices did disproportionately better than firms that only made investments in ICT. The seven practices remain relevant for firms today:

1. **Move from analog to digital processes.** Moving to a digital environment frees the firm from the physical limitations of paper and supports the other six key practices.

2. **Free information access and communication.** Encouraging the dispersal of internal and external documents throughout the firm fosters lateral communication among employees and vertical communication between employees and managers.

3. **Empower employees.** Successful ICT-using firms embrace decentralisation and delegation, pushing decision rights to those with access to information. At the same time, digital processes help enforce rules or constraints by alerting personnel if an exception occurs.

4. **Use strong performance-linked incentives.** Meritocratic pay structures, incentive-based pay and wider use of stock options for a broader set of workers are common at firms that successfully use ICT.

5. **Invest in corporate culture.** Promote a cohesive set of high-level goals and norms that pervade the firm. Regularly communicate these strategic goals throughout the organisation with an emphasis on promoting a strong corporate culture.

6. **Recruit the right people.** Executives in successful ICT-using firms tend to be more involved in the recruitment process, and new employees are more likely to be screened for capabilities across a variety of criteria, such as education, analytical skills, and computer skills.

7. **Invest in human capital.** Hire highly educated employees and then provide ongoing training (much of which is available online).

They have also recently been visited by a sales person who was promoting a particular ‘smart meeting’ system and have overheard discussion saying that really face to face meetings are more important.

She then tells you she thinks the situation is more complex than it appears at face value and asks you to find out more...