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The CIO Series – Michael Ali of Harman



Harman's CIO Sets the Right Tone to Save, Earn and Grow

Michael Ali, chief information officer (CIO) of Harman International, the maker of high-end audio and infotainment equipment, is a driven man. His role at Harman extends beyond that of a support function to provide strategic advice to the US\$3.4 billion company as it continues to expand into new markets, launch new products and grow by acquisition. In a little more than a year at Harman, Ali has pushed forward efforts to bring a common technology platform and IT infrastructure to the company's formerly decentralized businesses.



Along with an estimated 71 million people across the world who were watching the Oscars in February, Ali was riveted by the show. His focus wasn't so much on the nominees and the winners, but rather on the Harman sound equipment powering the night's performances. The equipment performed

well. Harman has regularly powered some of the world's biggest shows, including the Grammy's and the Superbowl.

Ali oversees all technology functions at the Stamford, Connecticut-based manufacturer. At Harman, infotainment encompasses information, communication and entertainment systems in automobiles, which includes navigation systems, voice equipment and receivers. With 15 major brands, including AKG, Harman Kardon, Infinity and Mark Levinson, in addition to JBL, the company is the leader or a top player in each of its major markets — automotive, consumer and professional equipment. Consumers listen to Harman sound systems in their cars and through

iPod docking devices, audio visual receivers, speakers, mobile audio equipment, headphones and ear buds.

Ali's role goes beyond caring that all is well at high-profile events, and also beyond the traditional CIO function that centers on keeping a company's IT system up and running. He is among the new wave of CIOs whose portfolios now include a range of strategic functions, such as overall goal-setting and implementation in manufacturing, marketing, finance, human resources, supply chain logistics and other key areas. Many companies, including Harman, have outsourced traditional IT functions like back-office support and maintenance services to third-party providers, leaving the CIO with enough bandwidth to take on a broader role and focus on new initiatives.

A SEAT AT THE TABLE

Ali notes that Harman is growing in several directions. In June 2010, Harman acquired Electronica Selenium S/A, a Brazilian maker of loudspeakers. It is midway through a \$100 million investment program to set up R&D and manufacturing centers in China. And it has a



sizable and growing presence in India, among other emerging markets.

As Harman shapes strategies to enter new markets, Ali points out that he gets a seat at C-level deliberations to offer guidance on the supporting IT landscape. From that vantage point, the top executives identify opportunities for leveraging the company's strengths across departments and functions. IT plays a critical role in cutting costs, boosting productivity and paving the way for gains in sales, profits and market share.

Harman's broad goals are to grow its businesses in automobile sound and music systems, branded audio and emerging markets, and to achieve a "best-in-class" cost structure, Ali says. "My challenge is to ensure the IT department can execute on those strategies. We move fast at Harman; the world is changing rapidly. We have to execute well and execute quickly."

UNDERPINNINGS OF A STRATEGIC ROLE

When Ali joined Harman in January 2010, top management was "very clear" about the company's growth potential, and that they wanted the IT function to be a strategic partner. He had that broader strategic role in earlier assignments as well, including in his previous job as CIO at Jaguar Land Rover. "They appreciated the role IT plays in business in the 21st century," he says of Jaguar Land Rover, where he worked both before and shortly after the Ford Motor Company sold the unit to India's Tata Motors. Ali, who also served at Ford as director of its global program management office, worked earlier at General Electric, Rensselaer Polytechnic Institute, the National Aeronautics and Space Administration (NASA), and the National Institute of Standards and Technology (NIST). He holds degrees from Princeton, Stanford and Rensselaer, all in engineering, which sets him apart from most other CIOs.

"I don't know a whole lot of CIOs who have a PhD in computers and systems engineering," says Ali, who earned that degree from Rensselaer in 1999. "Most CIOs I know have an MBA." But the engineering background, which has given him "a research and a technical mindset [helps him] a lot in this job because IT is fundamentally about technology and how best to use it."

At Harman, Ali gets involved in strategy planning at several levels. The company's top-level executive committee has its own strategy meetings. Ali presents on IT topics at those meetings and is also part of a functional group that then fleshes out the defined strategies. "In one sense, we get in as soon as the strategies are formulated, but in another sense, we formulate some of the functional strategies that drive the business strategy as well," he says.

Ali sees himself as wearing two hats all the time. The first requires him to keep up with the fast-changing IT space, which "takes a lot of work." He credits his IT team and partnerships with service providers, such as Bangalore-based Wipro Technologies, for "continuously scanning what's going on" and suggesting how the latest IT developments can be used to help Harman's business. "We also work hard at finding ways to communicate what we're doing with the business, working with our communications department."

Wearing the second hat, Ali works closely with top management across functions and divisions. Ali helps set strategic objectives for each department and division, and for key individuals. "We cascade those objectives. I have shared objectives with all the business leaders [at the company]."

GAME-CHANGING ENDEAVORS

Harman's biggest "game-changing" endeavor, that Ali is intricately involved with, is its "One



Harman” strategy. Founded in 1953 as Harman/Kardon, the company made a name for itself by introducing the concept of “hi-fi” and designing furniture-like home stereo systems. (One of the co-founders, Bernard Kardon, retired after a few years. The other, Sidney Harman, led the company through much of its history; he died recently at 92.)

Over the years, Harman has grown via a series of acquisitions of smaller companies that now operate as its divisions. Besides Electronica Selenium, newer acquisitions include 3dB Research Ltd., a developer of music and signal-processing technology, and Aha Mobile, Inc., a provider of on-demand mobile and location-based Internet content services. Earlier additions include audio equipment makers JBL and Lexicon. Each came with its own technology platform, processes and management practices. The One Harman objective — conceived by Dinesh C. Paliwal, who became chairman and CEO in July 2007 — is to achieve an aligned business model across the global enterprise that leverages shared services while meeting the specific needs of each division, says Ali.

The IT department’s mandate is to build the technology pieces to power the One Harman strategy, producing economies of scale and making it easier to work across the company. “Engineers can move between projects and between groups, and someday between divisions,” says Ali.

His most important initiative: introducing a common product life-cycle-management (PLM) platform. The PLM system tracks a product from conception through design, manufacture, branding and marketing, and also assesses that product’s requirements when it comes to people, processes and technology. Other big projects have included the creation of common platforms for procurement, electronics engineering,

e-commerce and enterprise resource planning (ERP). “We want the finance and human resources departments, too, to be working on the same systems as far as possible,” says Ali.

REAPING THE BENEFITS

The PLM piece is already working well. “We had a situation where each division was using a different system. We showed that one system could meet the needs of all the divisions.”

Ali expects company-wide commonality in e-commerce and ERP platforms to be completed by the end of 2011. Prior to his arrival, the department had already introduced a common email system across the company, standardized desktop and laptop computers, and installed common servers and hardware in two data centers. For now, Harman is implementing the commonality program internally. The company may extend the program to suppliers later. “The commonality will make it easier to interface with key suppliers.”

The program is part of a larger Harman project called “STEP Change.” Unveiled in 2008, the three-year program has helped the company achieve more than \$400 million in permanent cost and productivity savings, according to a Harman regulatory filing.

One of the most visible gains from the IT department’s efforts will be in boosting Harman’s market share through its e-commerce platform. “That will be a revenue enhancer,” Ali says, adding, however, that it is too early to assess the monetary benefits that will flow from the new initiatives. “I can’t claim we have seen massive benefits in revenue or engineering throughput. [But] they will happen.” One success has been to leverage existing systems while the new platforms are being put into place. As an example, working with Wipro, the IT team introduced new



functionality into the legacy e-commerce platform and fixed some outstanding issues. As a result, the business was able to implement new online sales initiatives that increased revenue and improved customer satisfaction.

Intangible gains, too, will be felt across the company, notably in enabling Harman's different divisions to leverage best practices. "You avoid the Tower of Babel situation where people speak different languages," Ali says. "With the common product lifecycle management platform, we can have the engineers and the experts in one division help other divisions implement strategies and communicate them globally."

A VARIETY OF ACCOMPLISHMENTS

Ali picks three achievements that speak to his wider role as a strategic partner. For starters, he is pleased that his department "can execute on all of the projects that we are asked to do." Soon after taking over, he hired new talent with program and project management expertise that Harman IT lacked, and put in new processes. "We started leveraging strengths that were already in the organization but that weren't getting tapped," he says.

The second achievement was the creation of a three-year vision for Harman's IT landscape and a global IT budget to implement it. Today, the IT department is able to pull together all the information relating to its work. "I can have a conversation with the executive committee, including the CEO, CFO, and CTO, about where the money is going and how that is aligned with the objectives of the company."

In prior years, the IT budget was spread across each of the company's divisions. With a consolidated budget, "we are spending the same amount of money, allowing for growth, but it is all coordinated and we are getting leverage out of the total budget," says Ali. "You are not

spending new dollars over and over again on different solutions. You are spending one dollar to get a common solution. That is a big win for the company and for the IT department."

Ali ranks his initiative in creating governance structures around IT-enabled projects as his third big accomplishment. The governance structure "was missing before," he says. "Whenever we did big projects, they all became IT projects. And, as we all know, they are really IT-enabled business projects. We now have a governance structure that has both the business sponsors and the technical people working together to make sure all issues are addressed as we implement those projects."

Ali's governance model is about "making sure we are not [just] putting a piece of technology in place but also [making] changes in the business processes." Various stakeholders, including managers from manufacturing, supply chain and marketing, get involved at the beginning of a project. The new model also packs in training for end-users that includes required documentation. "I saw it [the governance structure] missing in a few projects when I came in," Ali says. "I saw the projects being handed off to IT and I said we still need the business engaged in the process."

A MEANS TO AN END

Ali did not encounter internal resistance in rolling out the commonality program, but he did face other hurdles. "The obstacle really has been in organizing the IT department to execute." Ultimately, his department brought in third-party partners to meet "pretty aggressive timelines." Commonality "is a means to an end" and newer challenges lie ahead, Ali says. He sees the end objective as creating "transformative business opportunities" for Harman.

"We want to leverage all those platforms to innovate the way we do business – find new



revenue sources, make and save money, and improve operations. The next frontier is to drive innovation in the business model.”

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