

2009

BizTechReports.Com

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The Strategic CIO in a Business Transformation Environment

By now it is well understood that it is nearly impossible to divorce business strategy from technology deployments. IT departments are now held responsible for harnessing the power of information and communications technologies to support the constantly evolving strategic imperatives that organizations must address in a global digital economy. This report explores the changing role of CIOs, as they move to fulfill an even more proactive role in corporate strategy development.

Business Transformation and the Strategic CIO

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The rise of the CIO to the senior executive ranks of government agencies and private enterprises has been as swift as it has been dramatic. In less than two decades, we have seen the rapid evolution of an entire profession that started out on the fringes of the organization. Where once MIS professionals cautiously doled out information from complex mainframe systems that were anything but user friendly, today the profession is filled with polished business strategists who not only support, but set, enterprise mission objectives.

In between, the IT professional has overseen the rise and ebb (nothing ever really goes away) of countless technologies (proprietary WAN architectures, client-server LANs, N-tier computing, etc.); they have worked through a myriad of organizational structures (swinging from centralized control, decentralized empowerment, to federated environments, and back again.)

Often, today's CIO is in a position to see the critical shifts in competitive imperatives before colleagues in finance, operations, sales and marketing. This is due in part to the fact that new technologies – such as developments in broadband, wireless, mobility and Web 2.0 – now affects how nearly all businesses go to market.

Beyond this, the unique perspective of the CIO is enhanced by the fact that IT touches every aspect of an organization. This prompts the best stewards of enterprise technology to be in constant dialog with the business unit leaders, managers and even customers.

Yesteryear's MIS managers and directors now find themselves with a seat at the boardroom table with CFOs, COOs, CEOs, as well as corporate counsel, and other board representatives who have occupied their positions of corporate prominence for much longer periods of time. Consequently, many CIOs still find themselves viewed by some organizations as strategic newcomers...and perhaps a little green.

No Market for Tactical CIOs

In different times, we might expect CIOs to go through a period of transition before they are seen as equal members of the executive team. But the challenges of today's markets, regulatory frameworks, and economic dynamics preclude such a gestation period. CIOs are increasingly being counted upon to make contributions that have transformative impact as quickly as possible, while maintaining a technically and operationally stable platform that supports current business operations.

In this whirlwind environment, countless critical questions arise every day which must be addressed effectively in an environment that leaves little margin for error. But these conditions also raise serious questions about what kind of CIO can best contribute to an array of

transformational initiatives that many believe must be led by the corporations technology department. These include:

- Governance Risk and Compliance Strategies
- Cost Avoidance/Cash Preservation Strategies
- Customer Retention/Acquisition Strategies
- Business Process Optimization Strategies
- And the list goes on.

Certainly, a CIO who is exclusively preoccupied with technology developments will not be the ideal candidate for the new nature of the job. This may help to explain why – as the position becomes more strategic and “business transformation” takes center stage – we are seeing a new generation of technology executives take the helm.

Many of the best CIOs today have a rich variety of backgrounds. They increasingly bring with them MBAs from places as prestigious as the Wharton School or practical training and insights from Night School. Others are taking over IT departments after extensive executive experience in other corporate disciplines – like finance or operations. Still others bring an entrepreneurial history, after participated in start-ups as Chief Technology Officers (CTOs), or having started and managed successful businesses of their own. In short, the CIO culture – and by extension the entire IT profession – is in the midst of its own transformation.

Are Organizations Ready for Strategic CIOs?

But this, in turn, raises another question that must be addressed the midst of all this change: *Have the corporate cultures of the businesses that employ CIOs changed?*

While the answer to this question varies from organization to organization, the fact remains that many organization still have a legacy mentality when it comes to the CIO position. As the saying goes, it takes two to tango, and if you operate in a business culture that is unwilling or unprepared to look at IT strategically, a lot of momentum can be lost – or never gained to begin with.

This is because without a mandate to use IT as a strategic tool, it can be very difficult for any CIO – regardless of the background – to pursue an innovative agenda. Casual or informal support to unleash the potential strategic value of IT is not enough to invest in:

- Priorities that need to be shifted;
- Financial resources that need to be reallocated; and
- Time and energy that needs to be applied to harvest the benefits of in-depth collaboration across the enterprise and beyond.

Options for Strategic CIOs

There are a number of ways that CIOs can play a critical role in the business.

- One way is to listen carefully to colleagues who work in all the key business units, and then transform that input into a technology strategy and roadmap that supports the stated needs. This is done by doing things like making adjustments to the IT infrastructure, redesigning the configuration of contact centers, or creating new more effective data repositories that can be mined to help line-of-business managers make better decisions.

A lot of organizations would consider this to be a strategic activity for the CIO. But this approach tends to limit discussions to how existing business processes can be modified as they interact with established or emerging technologies. It is still a fairly operational focus.

- A more strategic role for the CIO would involve discussions which take place closer to when corporate objectives are set and prioritized. In these early stages of discussions, CIOs who are permitted to participate can offer ideas of how new technology developments – which may be only known to the CIO – can create new opportunities to transform core operations or create new opportunities.

For example, fundamental shifts in how technological functionality is offered today – such as technology delivery strategies (based on SOA) that enable key processes or support specific customer requirements – can have dramatic implications for what, when and how an enterprise goes to market. Similarly, the implications of the move to Software-as-a-Service can have significant implications for how companies remain competitive as well. In some cases, a shift like this can re-define what is core to the organization.

The consequences for the IT profession are profound, resulting in both a qualitative and quantitative shift in how the performance of CIOs is measured.

Business Transformation Enablement

Transformation is a big and loaded term that is defined differently by folks depending upon their situation and objectives. For many CIOs, the discussion of transformation often remains tied to the technology infrastructure of the enterprise. As a result, they tend to look for opportunities to identify opportunities that secure economies of scale advantages by looking for ways to commoditize processes through automation. This is still one of the most common expectations to emerge when CIOs are called upon to help their enterprises do things faster, cheaper and better.

More recently, however, we have seen a growing role for the CIO in efforts to do more than just accelerate process at lower cost. They are being asked to clean up the balance sheet by finding new cost effective ways to move technology-enabled operations from the capital expenditure (CAPEX) side of the accounting ledger to operating expenses (OPEX) column by doing things like outsourcing.

True business transformation, however, lies in the ability to rapidly redefine major swaths of corporate activity that alter the competitive posture of their organizations. At the core of this type of transformation is a requirement to change people. Therefore, CIOs who can work with talented people to introduce technology services that enable their workforce to be more creative will be more strategic than those who simply try to make employees more productive. From this perspective we can begin to separate the different types of CIOs. For instance:

- Many CIOs spend most of their time enhancing individual employee and process productivity. They enhance an individual's ability to perform a task more quickly. They accelerate the speed at which a process can run through the cycle.
- Some CIOs spend a portion of their time helping employees become more creative. This can be done by giving the workforce better access to intuitive tools and information resources without the need for IT personnel intervention.
- An elite level of CIOs, however, spend their time producing platforms that harness technology to make "teams of people" (made up of any combination of partners, suppliers and customers) more creative. It is from this layer of activity and investments that true and meaningful innovation result in fundamental transformation.

Collaborative Creativity
Individual Creativity
Employee/Process Productivity

Budgeting Projects...Funding Innovation and Meaningful Transformation

This perspective offers a way for CIOs to have a new type of conversation with CFOs and CEOs about financial resource allocation that appreciates the distinction between tactical and strategic investments in IT. This is an important initial step for CIOs to take as they continue to climb up the executive hierarchy. It sets expectations on the types of returns investments in IT can yield to the organization. For instance:

- It is appropriate to develop a budget for projects that directly support operations. It is entirely proper, in this category of activity, to correlate dollars allocated to incremental improvements in productivity and operational efficiency. The ROI should be predictable, and the TCO dependable.
- Strategic investments in IT, on the other hand, should be treated entirely differently. Discrete investments should be made in a portfolio of initiatives that are designed to yield bigger returns as a result of innovative breakthroughs. The portfolio analogy is especially poignant in this situation because not every investment in innovation will have a payoff.

This may be a difficult concept for a CFO to appreciate...but it is important to fully understand the nature of innovation. Creativity in general – and innovation in particular

– are the byproducts of experimentation. And experimentation, by definition, suggests that results are uncertain.

In the final analysis, innovation should pay for itself, and create its own investment stream. The best CIOs look for business processes within different units that can be optimized to be more efficient. These may be considered low hanging fruit of opportunity. But when optimized they provide an opportunity to divert resources from savings generated by that optimization to the innovation portfolio funds that can be used to drive meaningful transformation. They also provide an opportunity for truly strategic CIOs to maximize their impact on their organizations.