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The CIO as Strategic Business Partner:

Leading Change and Driving Results

An Executive Workshop

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An executive workshop of the Center for Digital Strategies, Executive Education at the Tuck School of Business, and Brimstone Consulting Group LLC

The Center for Digital Strategies, Brimstone Consulting, and Tuck Executive Education recently convened a group of leading CIOs for a discussion on the changing role of information technology (IT) and opportunities for CIOs to drive change and business results within their companies. As the IT spotlight broadens beyond cost-cutting to innovation, what can CIOs do to reposition their organizations as true business partners within their enterprise? What key capabilities do they need to build? What leadership and change management best practices can they leverage?

This workshop included CIOs from 7-Eleven, AOL, Convergys, Eastman Chemical, Eaton, Fidelity, H&R Block, Hasbro, IBM, Nash Finch, National Life Group, Pearson, Pep Boys Auto, Pfizer, Reebok, Save the Children, Time Warner Cable, and Waste Management.

Key Insights Discussed in this Article:

This workshop overview was edited by Hans Brechbühl, Executive Director of the Center for Digital Strategies (www.tuck.dartmouth.edu/digitalstrategies).

Introduction

The role of the IT organization in most companies is changing rapidly, presenting real opportunities and also real challenges. Having survived a period of cost-focused retrenchment, many CIOs today are working to reposition their IT organizations as a true business partner within their enterprise.

What should this new IT role look like? What are the capabilities forward-looking IT organizations will need to be successful in the next 3-5 years? And how can CIOs build the foundation for this strategic, change-leadership role while simultaneously delivering the operational excellence expected of IT?

Setting the Stage: Current Challenges

Participants teed up the discussion about IT's changing role by laying out the key challenges they're facing today—issues ranging from the rapid pace of change and the increasing pull to support innovation and growth, to the challenge of transforming the structure and mindset of the IT organization itself.

"The biggest thing right now is the shift from the cost cutting mode into innovation," said Eaton's Bill Blausey, opening the door to a number of comments about a renewed focus on growth and business model transformation.

"We're trying to transform our company," said H&R Block's Marc West, who in addition to IT also leads the company's fast-growing $150 million revenue online tax prep operation. "I'm trying to sort out the next generation of opportunities for us as a firm."

Convergys' Larry Schwartz described his company's efforts to unbundle its current suite of billing, customer care, and consulting services and sell them separately. "It's a massive transformational effort," he said. "How do you shift your whole value proposition from being operations-centric to being knowledge-centric?"

Time-Warner Cable's Frank Boncimino cited complexity of the current environment as his key challenge. "We have this tremendous wave of product innovation right now," he said. "It's all about providing new products to our customers, and the list of ideas we have is extremely long. We're just knocking them out a few at a time, and at the same time we're getting hit with a wave of cost reduction."

Ed Granger-Happ said his challenge at Save the Children is to get strategic leverage out of technology for end-to-end program [a nonprofit's "product"] delivery, "rather than just filling in infrastructure or enhancing applications or improving work flow." He cited an education program on an Indian reservation where kids take reading tests on a PC, and the principal as well as the donors can track their progress online. "For IT, it's the strategic opportunity of moving up that chain," he said.

Pfizer’s Chuck Williams said that his challenges include supporting a partner-centric product development model and the company’s business model transformation to support an increasingly patient-driven (vs. physician-driven) market. “From an IT perspective, the biggest leadership challenge is developing the talent to allow IT leaders and colleagues to engage in every part of the business to accomplish all of this change concurrently—balancing the faster, better, cheaper stuff with the innovations.”

Fast changing markets are refining IT’s opportunity to make a strategic contribution, agreed Hasbro’s Doug Schwinn. While his company was once primarily a toy manufacturer, it’s now in the IP and brand building business, with a broader range of competitors vying for the same dollars—such as Apple with its iPods.

“How do we move into the tune business, how do we innovate, how do we change what we bring to market?” Schwinn asked. “Today we’re a bit of a service provider, but we’re also developing and delivering products.” And he noted that the challenge is global: “We’re trying to find business processes that will cross cultures ... how do I team globally and collaborate globally? We’re being challenged as an IT group to really think differently.”

Several participants offered up another current challenge: transforming IT’s profile and its perception within their enterprise. “We’re trying to elevate the role of IT to be much more of a partner than service provider, to be more of a leader of change instead of getting the requirements for and executing the change,” said IBM’s Jeanine Cotter.

Pearson’s Bill Gauld noted that finding the balance between centralized and decentralized IT can be tricky: “It’s something that’s missing in a lot of company cultures. It is either one way or the other, you either tell me what to do or don’t tell me anything.”

Waste Management’s Lynn Caddell noted that since arriving two years ago she’s faced the challenge of pulling off two transformations at once: rebuilding IT’s credibility while bridging an autonomous decentralized business unit culture. “We’re fighting the ‘that’s not the way I’ve always done it’ mentality as well as the fact that we had real credibility issues,” explained Caddell. “We want to be setting some directions, but we have to be real careful because that then gets perceived as dictating to the business.”

Rick Federico, CIO of Fidelity’s Institutional Investment business, said that security and global team-building are two of his top priorities. “In 3-5 years where we do want our global IT work force to be, what capabilities do we want there?” he asked.

“Learning to be a global company is a big challenge,” agreed 7-Eleven CIO Keith Morrow. “We took the company private in December—7-Eleven Japan bought us. Probably the biggest challenge is running the business and trying to get face time with the 70,000 people in North America while at the same time creating a new IT strategy with more of a global look to work with our partners from Japan.”

And Pep Boy’s John Mitchell said he’s focused on motivating his team in the face of external investor activism. “We need to show that Pep Boys can be profitable, in particular on the service side of business, and there's a lot of uncertainty in ranks farther down in the company," he explained. "So the biggest challenge is aligning with the vision that's still evolving, and delivering what's been promised and at the same time keeping the staff energized and motivated."

From Service Provider to Business Partner: Key IT Transitions

Tuck's Hans Brechbühl suggested the group try to explicitly identify a series of 'from-to's' that would illustrate how the balance of IT priorities is shifting (see Table 1 below). He noted, for example, the group had already discussed moving from a cost reduction mentality towards a revenue generation focus, and from a more internal to more external focus.

Table 1. Elements of IT's Transition to Strategic Business Partner*

From	*To*
Utility service provider	Strategic business partner
Cost reduction mentality	Revenue and profit focus
Servicing the business	Proactively anticipating market needs
Internal focus	External focus
Technology focus	Business focus
"Guys who fixed my PC"	Business process experts
Project capacity	End-to-end adoption
"Ring-and-run" installation	Value realization
Supporting operations	Enabling innovation
Regionally standardized data	Information as a global, enterprise-wide resource
Siloed existence	End-to-end view
IT project ownership	Business ownership of IT investments
Efficiency	Effectiveness
Rigor	Entrepreneurial flexibility
5-year plans	Agility

** Note: This list indicates directional vectors for IT, rather than necessarily 'leaving behind' prior priorities or capabilities.*

Reebok's Peter Burrows said he sees IT needing to get better at brand management, and managing the perceptions of the business. "When I first came to Reebok I started to appreciate what a brand means—everything they do is to protect that brand," he said. "If you do the same things in IT and you actually listen to surveys, you'd be surprised by what people think. They boil down everything down to a simple phrase or one or two words: you guys are the guys who fixed my PC."

"We have to treat IT like a brand, to change that perception in the eyes of management," asserts Burrows. "We do business transformation, nobody ever mentions that. We know more about process then anybody else in the company."

Nash Finch's Sarah Miller suggested that finding a way to transfer some of IT's traditional process strength and discipline to the business would be a positive transition.

And H&R Block's West suggested that doing the talent development so the business becomes convinced that IT understands the business is crucial. "It's way beyond alignment," said West. "It's when a president of a retail tax business unit stands up and says 'here's the top five things my IT team is doing for me,' how we got that win was, he thinks, 'those guys in IT understand how we make money.'"

Convergys' Larry Schwartz added that IT needs to get better at looking over-the-horizon, anticipating where the market's going, rather than focusing solely on the immediate needs and requests of business partners. "Most of the business units are thinking 'how do I survive this quarter and the next six months,' that if it is not this year it doesn't exist," said Schwartz.

He noted the numerous transitions the wireless industry has had to navigate through over the past 20 years, from just getting licenses and providing dial tone, to competing on call quality, to price, to service bundles, and finally customer service, brand, and micro-segmentation. "If you are sitting there trying to figure out how to service your traditional customer with traditional ways, you are probably going to miss the boat," said Schwartz. "The market keeps moving."

Enterprise Insight's Dave Margulius asked the group whether IT should be shortening its planning horizon in response to the faster pace of today's markets. "Did we get used to living in a five-year strategy cycle and now we struggle to keep pace with markets that change dramatically in one year?"

"I think you need the four or five year strategy for the ecosystem foundational stuff," responded National Life's Joel Conrad, "but as you move away from that it cuts back to a 12-month to 18-month [cycle]."

Pearson's Bill Gauld agreed: "Business is moving so rapidly that you have to check your alignment on a far more frequent basis than you ever thought, and that's what really unglues a lot of CIOs," he said. "You end up with a multi-generational plan," he continued. "Identify those things you can't move, and you don't have to do everything that was in the plan next year, except for the core. It's a planning mechanism."

Pfizer's Chuck Williams said an important transition for his company is from viewing data as a business unit or regional resource to viewing information as an enterprise-wide resource. "We're in 150 countries, and we're moving from regional to global standards and processes, global consistency worldwide," he explained. "Our business processes are being completely disintegrated, we're doing less and less inside the four walls, not just sourcing, but also the people doing clinical trials."

Hasbro's Schwinn echoed the notion that this globalization trend means CIOs and their teams must think more end-to-end, rather than in silos. "We're going to contract manufacturers so we have to include them, we're going around retailers to find out what is going on with consumers and sell to them," noted Schwinn. "It's a real interesting end-to-end challenge, where before we were within the four walls, suppliers were just raw materials and our customer was the retailer."

H&R Block's West proposed another important transition for IT: 'from delivery to adoption.' IT must take responsibility for assessing end-user readiness and capacity and for doing post-mortem assessments to hold the business accountable for getting return on IT investments. "What we've done this year is just massive," said West. "We went to the business and said 'You know that forty million bucks you spent on that system that eight people are using? That baby is getting written off.' It stopped them cold, dead in their tracks."

"We used to deliver the solution to the doorstep, ring the doorbell, and run," agreed Eastman Chemical's Jerry Hale. "Now we have to stay with it, be responsible for the change management, be responsible for making sure that the value is fully utilized."

Finally, Time Warner's Boncimino suggested that IT needs to transition "from methodologically rigorous processing to being much more entrepreneurial," to be viewed by the business side as a partner rather than an obstacle to be bypassed—even at the expense of traditional IT mandates like scalability. "The last few major solutions we put out there, I knew they were not scaleable," he explained. "They'll only get us to maybe eight million subscribers and meantime I need to find another solution that will get me from eight to fifteen."

Partnering with the Business on Innovation

As IT takes on a larger role as a strategic partner to the business, what must CIOs do to balance greater involvement in business innovation with the continued push for operational excellence?

"You're trying to condition the IT organization to tilt toward innovation and drive growth, but you can't lose sight of the 'run it faster, better, cheaper' inside of the equation," said Eaton's Bill Blausey. "In the automotive world, when I was a kid, there was no way to build a cheap, good car, and now the answer is, 'yes, there is.' We have to redefine the model."

IBM's Cotter said her organization is trying to channel IT innovation to support operational excellence and knowledge worker productivity. "Rather than have a bunch of folks just out there innovating, delivering stuff that might be fun or applicable for a few people, we are focusing the company's innovators to work on enabling our own productivity," she said. "That's working well because then people feel they're better connected to the business delivering value."

H&R Block's West noted that CIOs helping drive innovation must deal with the issue of organizational readiness as an obstacle to innovation, recalling that when his company recently tried to move some business processes online they found that the workforce couldn't accommodate the change. "Eighty out of 100,000 employees couldn't sit down at a terminal to fill out the same form they've handwritten for the past twelve years and hit the submit button."

And Time Warner Cable's Boncimino added that while helping drive innovation, CIOs often disproportionately shoulder operational issues arising from their own success. "We get 80 million calls at our call centers and put a whole new bunch of products out there, and the handle time goes up," he noted. "My issue as a business owner is to figure out how to reduce that call handle time. So yes, we're at the table, we're partnering to innovate, but more and more is falling on our shoulders to figure out how to help the business get out from under that readiness issue."

Eastman's Hale said he believes the secret to combining innovation within IT and operational excellence is to first centralize, standardize, and consolidate 'the IT utility,' and then pursue targeted innovation only where the standard platforms can't be leveraged. "We've taken 50% of the cost out of IT in four years, pretty much achieved operational excellence defined as good security, business continuity, cost effectiveness, good response time, and high availability," said Hale.

"But I don't want people trying to innovate on a new ERP system someplace, or a business warehouse or email system," he continued. "I want them to fully utilize what we have, harvest all the value ... and then identify those white spaces, and innovate there if you want to innovate."

"The idea of a platform that allows you to innovate on the things that matter is a big mindset to overcome in a company like ours," said Pfizer's Williams. "But once you get that platform right, it allows you to execute better globally and actually be more of an innovator, changing the business model, reallocating resources to the things that matter."

Brimstone's Bob Marcus asked, how can CIOs stay closely enough connected to their business partners? How can they avoid being "thrown stuff over the transom at the end of the conversation" in a fast-moving environment where the idea of long-range planning seems obsolete?

"Pretty serious program management," responded AOL's Carol Kline, was the answer she found when she walked into AOL. "It was almost like innovation gone amuck ... fifteen thousand ideas, few business cases, and no idea what the capacity was to deliver." Her solution was to insist on a firm prioritization and commitments from the business units. "How could you perform when every week we reprioritized what we were going to do?" she recalled. "We really focused it down to 'here's your commitment plan, I will live, breath, sleep your top five ... but I need you to be in that same space with me, because I can't worry about project number 999.'"

And National Life's Conrad noted that capacity management is just as important and challenging as demand management, "looking at the skills needed to complete the work in the portfolio and showing the business that we have the capacity, or if we don't that there are other options."

Defining Capabilities: Change Management

What capabilities should CIOs put in place to enable their IT organizations to serve as strategic partners to the business? Participants tackled this question and arrived at four broad capabilities categories for further definition: 1) change management, 2) business orientation, 3) workforce development, and 4) architecture. Participants broke up into smaller groups and explored each category in more depth, defining the attributes of those capabilities in greater detail and outline potential steps for achieving them before reconvening for a full group discussion.

To kick off the change management discussion, H&R Block's Marc West listed some of the key attributes of an effective change management capability, both within IT and across the broader organization, that his small group had outlined:

- clarity, leadership communication, and passion for proactive change
- effectively framing change management
- end-to-end view: where does change fit in the overall picture?
- people who understand psychology and organizational dynamics
- people who can identify change opportunities—creative and focused on business value
- people who can implement—build trust with quick wins, but eyes on the ultimate goal
- people willing to embrace and engage change—who understand why we're doing this
- well-structured process and project management
- relationship managers in IT who can partner with the business
- closed loop measurement process that feeds back to the change agents and implementers
- surveys—how do people feel, what did they learn, did the change stick?

Much of the discussion centered around defining the scope of change management, which participants clearly viewed as a central capability for IT organizations going forward.

Reebok's Peter Burrows noted that even with the strongest change management team, the question of how far to reach can be pivotal. "Do you go 'big bang'? Do you phase this in a bit at a time? Managers today in businesses are aggressive people and they have egos," he noted. "Sometimes you have to stand up to them and say 'you're doing too much too fast'."

Eastman's Hale urged the group to view readiness assessment in light of the type of change sought—whether cultural change, process change, or some kind of situational change. "Culture may take seven years to change," noted Hale for example, "and you have to allow a lot of time for process and consistency throughout that seven years ... if you don't, there's serious risk you're going to fail."

IBM's Jeanine Cotter advocated finding pilots for larger transformations, like deploying in one country versus ten simultaneously. "The quick win notion is in part building the momentum," she said, "and it really helps get the buy-in from the skeptics."

Waste Management's Caddell saw change management as linked to broader corporate strategic planning, where the CIO is positioned well to add value. "They look at me as the unbiased participant because I touch everybody—I can say things other people can't." Waste Management recently used cross-functional swat teams to attack several critical business issues, she added, always including IT "so that the change piece was considered in relationship to the technology that could support it." The teams got fast results, she noted. "We had 100-day time frames on big basic issues that the corporation had been trying to attack for years."

Several participants noted the importance of translating leadership clarity into effective communications tools, such as 'learning maps,' diffused throughout the organization. "Basic packaging skills are really important," said Convergys' Schwartz. "How you put this thing in terms that people understand—because they only understand 30% of what you're talking about."

Nash Finch's Sarah Miller stressed the importance of involving customers in the change management process, citing a prior acquisition where customers were erroneously told they'd see no major changes. "That set us up for failure," Miller recalled. "We've got another division we're integrating this summer, and we're having one-on-one meetings with top customers. So anything that changes, they're validating that change and testing it with us."

Brimstone's Bob Marcus suggested viewing alignment on major change as iterative: get the top folks to align, and then go through the same process with a wider audience "before it's locked down and when you're still open to dialogue or changing it." Creating an iterative, fluid dialogue will not only result in a better product and more buy-in, Marcus said, but it beats "hoping a couple of great communicators are going to get in a room and draw the perfect box, the perfect picture, the perfect message, and then hand that out."

Pfizer's Chuck Williams noted that he'd found the most powerful way to accomplish change was by tackling leadership alignment and personnel development through real-world projects, which he called 'performance leadership projects.' He described a multi-pronged process he'd used successfully at both Pfizer and Georgia Pacific, starting with an iterative alignment exercise around values and strategies for the top team and next-level managers, who could then 'teach' the entire IT organization.

"If we're going to change an organization quickly, it's not enough to get the top 10 or the top 150," Williams said. "We've got to get everybody in the IT organization to draw the line of sight between what we're doing and what the company's doing. It involves the leaders in the organization having a requirement to teach, and not to bring consultants in and do the teaching, but have the consultants maybe help you with the process.” The next step, Williams explained, is to reinforce this alignment and teaching with ‘performance leadership projects’—picking teams of cross-functional, high-potential talent to tackle “the 5 or 6 most important things that we had been struggling with a long time” in a 100-day time frame.

“It focuses on getting your most important work done,” explained Williams, “and there’s also a heavy dose of leadership development, feedback, stakeholder management. This is what I’m really passionate about: it’s the fastest way I know to get people engaged and make change happen.”

H&R Block’s West noted the importance of having a call to action, or ‘burning platform,’ to help make the case for change. “We used career development,” he recalled, “because we had an unusually fragmented organization with 300-plus job titles, all types of noisy, sticky, messy people issues and not a lot of clarity about how people were contributing.”

And Reebok’s Burrows affirmed the importance of measuring change. “At Reebok, we had a reliability problem, too many things were breaking,” he recalled. “So we instituted a monthly meeting where all we looked at is level one of what went wrong. We’re plotted and measured over time and all of a sudden those things started going to zero. If you put the right measurements in place to reflect the values you have in IT, you can measure that stuff.”

Finally, AOL’s Kline suggested that CIOs view change management not only from an internal IT perspective but as an opportunity to build a change-adept IT organization that can then drive change management processes through the rest of the organization. “You need a strategy or series of strategies for both,” she said.

Defining Capabilities: Business Orientation

To start off the business orientation discussion, Bill Gauld laid out several ideas the breakout group had discussed, falling roughly into five categories: business acumen; running IT like a business; communicating in business terms; managing and negotiating with outside providers; and strategic and business planning. They included:

- business acumen must be developed, you can’t just hire it
- operate IT itself like a business; demonstrate fiscal responsibility and keep your promises
- make sure to understand critical functions of the business (e.g., engineering or product)
- develop global and multicultural business acumen
- convince other organizations its valuable to have their key people rotate through IT
- forge a tight relationship with the business at all levels, including senior management
- do consistent post mortem assessments on business cases
- view portfolio management as investment allocation by business unit
- translate value beyond ROI in terms the business understands
- become expert at process methodologies and mapping and defining problems

- develop project management skills and experts
- manage your provider and services contracts like a portfolio
- develop multi-source and offshore outsource management capabilities
- develop repeatable processes, such as good partnering skills
- build the credibility of your direct reports with senior management
- integrate IT planning into the business' strategic planning process

The ensuing discussion centered on the governance and alignment questions and issues around engaging the business for shared planning and accountability. Fidelity's Rick Federico commented that finance usually puts the onus on IT to justify the value of technology investments, when in fact the business should be held jointly accountable.

"They should ask the business person who put this project up, did he get the value out of it that he said he would?" said Federico. "I delivered it on time ... for the cost I told you and I'm going to maintain it for the cost I told you. Ask <u>him</u>, if he said he was going to take 100 heads out of his group."

But Hasbro's Schwinn proposed that IT should actually drive the post-mortem assessment process for shared accountability with the business sponsor. "We facilitate that return engagement of coming back and asking 'did we get the investment return,'" he explained. "We sit with audit and the sponsor throughout the process, and then come back 18 months afterward to assess the returns. A lot of organizations just shun it and people walk away. And the only one held accountable at the end is IT."

"How do you measure success as you're going?" asked Convergys' Schwartz. "It's not just about the execution on the IT side ... you shouldn't wait until 18 months to have a post mortem and say we feel good, because that's pretty far down the road."

AOL's Carol Kline noted that projected returns are often trumped up for political reasons and that dollars should be allocated based primarily on a track record of delivering results. "When I was at Qwest," she recalled, "I was on the business side, and when my guys said this project was going to save 100 people, my response would be 'give me the social security numbers.'"

"In some cultures it's like who can tell the biggest lie to get the project funded," she continued. "My organization was funded three times greater than anyone else in IT spend because it was viewed as a given that we could actually deliver the returns."

"IT is viewed by our executive colleagues as having more rigor and more discipline than the business folks," observed Time Warner Cable's Boncimino. "So even though we're partnering together to deliver something, I know that my CEO's looking at me to protect him. Maybe people aren't adopting the solution so we have to refocus on training. Maybe it's not a customer adoption issue but an employee adoption issue. I do take accountability for those things early on in the process a little more then my business partners."

H&R Block's West insisted that the only way to get the business truly signed up is to have them earmark the money irrevocably upfront. "They'll actually move that capital and expense aside and park it in an account; the money is physically identified and held out," he explained. "It's like a moment of truth. They can't say 'I did commit to a million seven but I don't have a million seven to give you because we didn't generate the revenue.'"

IBM's Jeanine Cotter said her company is struggling with how to account for 'soft,' non-ledger benefits like improving employee productivity as opposed to headcount reduction. To which Reebok's Burrows replied that his company had done a thorough study of employee productivity, and found that time savings went to employees rather than the company, resulting in a lower turnover rate but otherwise not dropping directly to the bottom line.

"I think ROI is a great focus on things that are repeatable," added Burrows. "But when you're doing something for the first time, if you're working in an entrepreneurial cultural like ours, you have to take bets sometimes." Burrows suggested that IT should keep a 'slush fund' to sponsor pilot projects that the business can measure and then use to justify larger investments. "It really works, but it's got to be fast and it's got to be delivered," he said. "If you look back last year on the big things that made a difference to our business, none of them were in the plan."

Eastman's Jerry Hale agreed that 'soft' projects can be worth doing even if IT doesn't fully get the credit for them. "We add a lot of personal productivity capabilities to the tool set. Then we measure productivity at the corporate level and it been growing about 8% compounded for the last 10 years, for example, in terms of product sold per employee. We can't prove to the CEO that those soft dollars went to the bottom line the year we spent them, but we know that the people were using those tools and getting a lot more work done."

Finally, Hasbro's Doug Schwinn raised the issue of cost transparency as an important component of the 'business orientation' capability. "Allocation typically moves around in this big number," he said. "We're working aggressively on an activity-based costing model so we can charge versus allocate and it's absolutely transparent about the components of cost that each division is paying for. So there's an absolute comparison of what your charging versus what someone else can charge, rather than 'what is that number made up of?'"

Defining Capabilities: Workforce Development

For workforce development, the group identified performance management, succession planning, talent management, employee communication and individual development plans at key top-level issues. Convergys' Larry Schwartz presented a summary of some of the key findings:

- individual development plans: get people to take accountability for their own development
- empower employees to execute their own development plans
- transparent incentives: tie personal scorecards to incentive plans, and publish them

- alignment: make sure everyone understands what's important to the corporation
- identify development opportunities such as rotational assignments
- manage your bottom X-percentage ... improve or manage out
- develop multi-purpose individuals, not specialists
- formal reviews as a joint effort between employee and manager
- make succession planning systemic; identify critical positions and candidate pools
- global talent management: identify skills relative to needs, fill gaps
- disciplined internal communication: take every opportunity to reinforce corporate goals
- recognizing success and don't gloss over challenges: employees appreciate transparency

On the topic of performance management, Reebok's Peter Burrows said he recently learned via an employee survey that IT staffers were "worse at performance appraisal than any other group." They view reviews as a once-a-year perfunctory task, he noted. "The process we have is not communicating to the employees—they say, 'it's not helping me understand what I have to do to get better or move ahead in my career.'"

Save the Children's Ed Granger-Happ also pointed out that very few people find performance reviews motivating: "It's clear that performance planning is not working, and we need a new model."
Others noted that IT has traditionally emphasized technical skills and individual contributions, leaving weaknesses in managerial and leadership skills. "You have to communicate those behavioral competencies, because if I'm going to give people feedback on their interpersonal skills, I better have told them what I expect those to be," said Waste Management's Caddell.

H&R Block's West noted that managers are the primary connection point (and biggest potential barrier) from vision to execution, and that not just coaching, but getting them to sustain desirable behavior is crucial. "There's no silver bullet," said West. "We've had external coaches come in, situational leadership training, four or five formalized programs we rotate."

"I had to start at a very basic level," added AOL's Kline. "Everyone will have one review per quarter with their people on performance and then measure it and then train on how you handle reviews."

Hasbro's Doug Schwinn noted that while the lack of effective individual development plans affects all of IT, his company has had good success using cross-functional task teams to identify and remedy skills gaps for more senior, critical positions, as part of a succession planning process.

"We identify the pool of candidates and the skills they're missing, and come up with a plan to address that," Schwinn explained. "I'll throw an IT guy in with a regional director from Europe and another guy who does digital gaming and a finance guy, and they're given a project to go and analyze emerging markets." The team must ultimately present their results to top management, he explained. “They get applause, they get ripped, and when they get ripped, it is not an easy process. It really stretches the boundaries.”

“You can’t sit in a classroom and really change behavior,” echoed Brimstone’s Bob Marcus. “Ultimately you have to go out and do something, you have to press against something real.”

Other agreed that a proactive focus on developing internal candidates’ relationship and management skills is crucial to successful succession planning. “I don’t think you can hire them all, not in context of your business,” said Pfizer’s Chuck Williams. “It doesn’t happen naturally,” added Pearson’s Bill Gauld. “This isn’t the skill set you’ll find in technology people and you have to create it by building it. This is an active management activity, not something that just happens.”

Rotating talent across various functional roles can also be an effective workforce development tool for IT, participants agreed, albeit fraught with some challenges. Not only do you identify holes in your current organization by moving a key player out into the business, but you ideally reinvigorate that person with new challenges outside their comfort zone.

“We do cross-company talent review every year to identify who needs to move to a different organization,” said Fidelity’s Rick Federico. “We try to get a 10-15% movement at the top of the organization, and we also drive it down lower into the organization.”

But obstacles can range from the operational risks of removing a key IT player given the fast pace of technology change, to incompatible HR processes across the organization, to just plain organizational resistance.

“You identify candidates to move, but then people don’t want to give them up,” noted Fidelity’s Federico. “That says your succession plan isn’t real.”

Pearson’s Bill Gauld added that companies often aren’t good at finding a place for the individual to land after the rotation is over. “That continuity doesn’t exist ... I don’t know how many programs I’ve seen where those people leave the company.”

And Time Warner Cable’s Frank Boncimino advised against trying to get technical non-managers into such rotation programs. “Some people just aren’t going to be great managers or great at interacting with business owners,” he explained. H&R Block’s West agreed: “You have to create the momentum, you have to create the belief, but you also have to recognize that you can’t tell someone the ultimate goal is to work at IT and then go run a P&L. Eighty percent of my staff could care less.”

Reebok’s Peter Burrows also raised the issue of regional balance when doing talent management in a global organization. “The tendency for people who work in the center is to want everything to be controlled, but sometimes the best ideas aren’t in the center,” he noted. “If you take all the critical thinking out of the regions, you’ll never attract good people, yet if you put top thinkers in locally then they start to challenge the architecture. The ideal is to create a virtual organization, where you can assemble teams to solve big problems from anywhere in the world, but HR problems get in the way."

Several participant also touched on the importance of getting IT talent out into the field, so they can see what's really going on in the business. "Centralized IT people have a tendency to want to 'bit-twiddle' and not understand the store environment, how the supply chain works," said 7-Eleven's Keith Morrow. "So it takes discipline to embed there all the time that the ecosystem of the store is the holy grail for us."

"You have people running stores that have a different look on life, they just have a job, get paid $7.00 per hour and go home," agreed Pep Boys' John Mitchell. "Connecting out to the stores to what customers really want, it's really tough to get the IT department to grab a hold of that."

Defining Capabilities: Architecture

Pfizer's Chuck Williams began by reviewing the attributes of a strong architectural capability, as discussed by the breakout group:

- long-lived assets (software, hardware or capitalized work)
- flexibility for rapidly changing business processes
- good architectural governance
- ability to service all business partners consistently
- pick companies not products, except on the leading edge
- have a good sunset strategy
- re-usable components, with re-use incentives, for flexibility in changing business processes
- a business-rules abstraction layer and a services bus in the layered architecture
- architects who have deep, hands-on technology experience plus relationship skills
- architectural governance with quick decision making around white spaces
- leverage common underlying technology to provide multi-channel service
- well-defined core data elements (e.g., customer, product) with good data stewardship

Williams noted that given the spate of new web-based technologies, architecture has taken on a renewed importance at the CIO level. "This feels a lot like 1983, when PCs started to happen, in terms of Web 2.0 and what you can do in application development and deployment," he said. "We really need to pay attention to how we architect the next generation. The technology skills and the ability to put it all together are still important."

"This is a new element that is going to be a driver in the organization," agreed Pearson's Bill Gauld. "Creating a flexible platform to innovate off of."

Participants discussed the people side of architecture, prompted by a question from Nash Finch's Sarah Miller about what level in the organization an architect needs to be. "I'm lucky to have a great group of architects, but they're going to probably retire in about two years and I don't have a succession plan. That's going to be a big challenge."

"I hired a vice president in one architecture area because it was so strategic," responded AOL's Kline. "And that's what I needed to have from a compensation standpoint to get somebody who had the skills."

"My chief architect is vice president-level, but he doesn't want to be called vice president," said Fidelity's Federico. "He wants to be chief architect."

Convergys' Larry Schwartz asked the group how they planned to transition away from their current architecture when it becomes clear it won't meet future needs, "in a way that doesn't kind of get you into a sinkhole."

"The natural triggers occur as we're developing things," answered Federico. "We're carving stuff out and moving into the blueprint. It's not something that happens over night." And Pearson's Gauld advocated a 'multigenerational model', borrowed from the world of product development, that starts off with an 'as-is' environment and spawns multiple iterations. "Inventions will inevitably screw up a project schedule," he explained. "Start thinking about it in generations and I think that's where the architecture becomes very critical."

Eastman Chemical's Hale said his company uses a two-tier design development process, with the overall IT leadership responsible for a master architecture on both the applications and infrastructure side, and then cross-functional teams responsible for filling in white spaces to facilitate quick decision making.

But the group pushed back on Hale's preference to not have a single individual responsible for the macro architecture. "Someone needs to be accountable for the process by which the team collaborates and for a deep understanding of business and new technologies," said Time Warner Cable's Boncimino. "At the highest level in our organization from a governance perspective, we do need to hold someone accountable for that."

"The entire IT leadership team council has to believe in the architecture and defend it or it gets out of control rapidly," responded Hale. "I feel passionate about that."

Managing Through

Stepping back from the specific capabilities discussions, several participants had impressions of the overall dialogue.

"What struck me is how radically it feels things are changing within corporations and businesses, and how acutely it's changing the IT organization," said Brimstone's Bob Marcus. "Are you in the job you expected to be in three or five years ago?" he asked. "Probably not. Maybe this is just one of those inflection points and then it will settle out. But how do you at the front edge of this start developing a different mindset and capability set within your organizations?"

"IT is always going somewhere other than where you are," said Reebok's Peter Burrows. "The #1 trait you need to have as a CIO is adaptability ... whether you get bought or you get a new boss and something changes direction, you have to be able to learn and embrace change."

"None of these things seems solvable with a single silver bullet," agreed IBM's Cotter. "They're ongoing management issues, and we need the skills to be able to manage through them."

Tuck's Hans Brechbühl proposed that a consistent theme of the day's sessions was that preparing IT to be a strategic partner with the business requires not simply fostering new capabilities but making them mutually reinforcing and linking them to execution. "What I heard people saying is that leadership development, driving change, and doing real work all need to be bound together—that is where impact comes from," he noted.

Indeed, many of the themes emerging from the discussion supported the notion of the CIO as a business unit head who must think holistically on many levels, like a CEO. Even the notion of managing IT like a brand, raised earlier by Reebok's Peter Burrows, suggested that CIOs must focus not just on alignment and balancing capacity with demand but on customer-facing issues like perception, credibility and trust.

As more large enterprises turn to technology as a key enabler of business model innovation and growth, IT must stay ahead of the transformation curve so it can not only deliver utility services, but help drive change, and most importantly, a culture of disciplined innovation.

Participants in the Executive Workshop for CIOs April 19–20, 2006

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Joel Conrad	SVP and CIO National Life Group
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