

WHITE PAPER

Transformation or Travails: The imperative for IT's shift from support function to strategic asset

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Introduction

A common business challenge holds that the information technology (IT) organization is seen — and often sees itself — merely as an enterprise support function, akin to facilities management or similar functions. While world-class IT organizations are operational enablers, strategic advisors and even sources of innovation, too often IT fails to bring world-class ROI, both perceptually and quantitatively, to the business.

How does IT advance the business with a pragmatic, balanced portfolio of operational, strategic and innovation value? How does IT move from the role of mere “follower” to leader and trusted advisor?

This paper provides insights from seasoned independent management consultants who are on the front lines of IT-Business interaction. Our goal is to help C-level executives better understand the norms we are seeing currently, and the opportunity extant for transforming the IT organization into a consistently competent, differentiated and strategic business asset.

Current Situation

We can say confidently that in many enterprises IT and business teams share a mutual frustration with each other. Although there are examples of world-class IT organizations, they don't represent the majority of the species, and we believe that needs to change. Putting aside root causes for the moment, the symptoms of this strained relationship are manifested in many forms. The business perceives that IT is generally reactive, technology-focused and contentious instead of proactive, business-focused and collaborative. The IT organization perceives that the business doesn't consult with them before embarking on initiatives that IT will have to support, and generally doesn't understand what it takes to keep the machinery running and the constraints under which they have to operate. Given our business focus, other perceptual IT shortcomings include:

- IT favors “safe” things like email, networking or applications such as ERP.
- Business teams drive process and IT innovation, often dragging IT along for the ride.
- IT claims credit when things go well but blames the business when things go poorly.
- IT tends to “point fingers” instead of collaborating to solve the difficult problems.

- New, unfamiliar business applications tend to be discounted rather than embraced by IT.
- The business has to push back on IT reluctance and decipher “technical jargon” in order to understand that their requests for support often aren’t difficult or outlandish.
- Projects initiated by IT do not align with the strategy, priorities and constraints that govern the larger organization.
- IT leadership and staff often lack essential business skills in critical areas such as strategic planning, finance and marketing.
- IT can become fascinated with “methodologies du jour” which deliver questionable business value but consume precious resources.
- IT’s separation and autonomy hasn’t helped business stakeholders achieve their goals.

C-level governance in the form of the CIO has too often failed to change these laments. The CIO wants to be a peer with a “seat at the table” and is frustrated when they are relegated to reporting to the COO or CFO. The rest of the C-level team, conversely, sees no reason that the CIO deserves to be a peer; in their eyes the CIO doesn’t act like a peer. IT still isn’t seen as a strategic contributor because they haven’t raised the bar, quantitatively or perceptually, on their contribution to the success and evolution of the organization. They are seen as commodity construction workers, not visionary architects, and that’s a big difference. Additionally, the topic of the IT-business alignment has been a fixture of IT and business periodicals for over 20 years, suggesting there is significant opportunity for improvement. Indeed, the very juxtaposition of IT (instead of Finance, Marketing, etc.) and the rest of the business reinforces this dynamic.

It seems clear that business wants and needs IT to be radically different from the status quo. Many business leaders have articulated that if IT could simply be the best support function they could be, and act as collaborators rather than adversaries, that would be ideal. What the business wants and needs is seldom what they experience from IT. Some of us can remember only a few, very rare instances where, at the end of the movie, we could say, “Thank you for the great support from IT. We couldn’t have done it without you.”

The problem is that recent history isn’t congruent with IT’s ability to play a good supporting role. We believe that simply providing good support — *and that’s a level many IT departments merely aspire to achieve* — is a dead end for IT as it will quickly raise the question of why the same functions cannot be done as well but cheaper elsewhere? Even though this meme has been disproven on countless occasions, such as in Dell Computer’s customer service failures from several years ago, the position has become one that IT organizations must overcome by default.

Instead, we believe that IT should evolve to become a value-focused strategic asset. Whether that role encompasses support, innovation or any other functions should be a collaborative, pragmatic decision based on business goals.

Great idea but still a potentially tough sell. Dr. Alan Weiss of Summit Consulting, within his professional community "Alan's Forums" (www.alansforums.com), offered the following thoughts on IT's strategic influence:

IT is a support function and needs to get good at being a support function. Telling me IT leads an organization is like telling me that legal, or finance, or HR leads an organization. It makes zero sense.

No business strategy is going to follow IT, which is an enabler, not an originator.

Why would a company's strategy follow an enabler? IT should produce innovative solutions to help implement a strategy, but never to set the strategy. That's the tail wagging the dog. Do you really believe that profit, market share, new products and services, acquisitions, and so on should be influenced by IT, much less led by IT?

Strategy is a framework within which decisions are made which set the nature and direction of the business. IT is not going to establish that framework, though the CIO may be a part of the team doing it, of course.

The question remains: Can IT become a value-focused strategic asset?

Strategic IT: Myth or Manifest?

We believe there are many valid examples of IT acting strategically. One of the best was Peter Solvik, a former CIO at Cisco Systems who was often a more sought-after speaker than CEO John Chambers. Solvik offered many pragmatic solutions in rapid order to meet the needs of a company in hyper growth mode almost a decade ago.

Another example is VISA, Inc. CIO Mike Dreyer considers VISA to be a technology company enabling VISA's brand 24/7/365. It's interesting that many have considered VISA to be a financial services company rather than a technology company? What makes VISA unique?

- Size/scale (as of May 2008)
 - 81 billion transactions per year; \$3.8 trillion settled
 - 16,000 financial institutions
 - 29 million merchants
- VISA's CIO doesn't want "technology to be a limiting factor for any 'good idea' — get ahead of game."
- As of 2008, VISA was managing 65,000 network changes each year.

We thought: How often do people use a credit card? How often does a merchant tell you that they can't process your transaction because the network is down? The answer: almost never. If VISA didn't have a robust network, credit cards would not be a key part of the global economy. We believe that if VISA didn't view IT as a strategic asset, that network would not be nearly as robust and pervasive.

Other strategic IT success stories include both influencing and enabling Wal-Mart's supply chain strategies to support cutting-edge business processes, Dell's mass customization strategies for direct-to-consumer and later business and retail sales, Hewlett-Packard and even the Federal government. Our team has experienced several engagements during recent years in which strategic IT organizations played major roles. One example includes a major Utility:

- The Utility tried to entice customers to adopt electricity pricing based on time of use, with underwhelming results, to enable their broader goal of reducing capital infrastructure spend. IT saw opportunities to address the same goal via better management of their existing electrical grid and assets in new and innovative ways.
- IT leadership, on a peer C-level basis, proposed strategic changes with strong portfolio-based business cases that were ratified by the executive team.
- IT's strategies required a substantial investment in technology, information, process and organizational changes, with a business case ROI of over 9:1 within seven years.
- IT had a peer leadership role — and in some cases led exclusively — the information, process, technology and organizational transformations needed.

Based on these and many other examples, we believe that IT can indeed become a value-focused strategic asset. If so, what would that organization look like, and what crucial attributes are necessary to its achievement?

Criteria for Strategic IT

We believe IT can have a significant strategic role and influence. In fact, we believe that gaining clarity on how IT can support the organization turns it into a strategic asset. We tried to envision at a high level the distinctive characteristics of a strategic IT organization using evidence and anecdotes condensed from previous engagements. In other words, if we were business or IT people engaged with such an organization, here's what we'd expect to see:

- A CIO with a peer C-level relationship who can converse in business terms on par with the CEO, who can think strategically relative to the holistic business landscape, and someone who can think ahead of the pack.
- An IT organization that can focus pragmatically on the needs of the business, whether it be as an enabler, an innovator or as a trusted strategic advisor and partner. IT outsourcing, or in-sourcing, would be business-case driven and collaborative. IT would effectively balance internally-focused activities, including support imperatives, with externally-focused strategic value.
- Collaborative IT-Business teams that are jointly accountable for achieving business objectives.
- An IT organization that wasn't told what to do but rather contributes proactively to strategic conversations, shows what is possible via technology, transforms business models, and can help to open new doors for the business.
- A business-focused IT strategy that isn't viewed as "set it and forget it" shelf-ware but rather a continuously evolving tool to both support the business and influence its strategic direction. It evolves based on new information, new ideas and new possibilities. The IT organization catalyzes this evolution by not waiting for "orders" from the business but by contributing to strategy and thinking creatively.
- Creative but focused experimentation directed by the CIO as a liaison who can build and maintain the bridge between business and technology interests.

It's also equally important to articulate what we don't see as valuable:

- IT organizations that plunge into self-servicing behaviors, such as new technology experimentation without focus or process costs without clear ROI, and literally driving themselves to extinction.
- IT leadership that engages in turf wars, builds walls and obstacles, and does not behave as if their mission is to help the organization succeed.

- Establishing “vendor-buyer” relationships between IT and the rest of the business which further distances IT from real business needs, and leads the organization to question whether better value can be realized by working with an outside IT organization.

We agreed that those characteristics helped to paint a nice picture, but we still needed to understand more about how to create the masterpiece. We noticed that in the exceptional IT organizations with whom we’ve engaged, the roots of that exceptional success germinate from several core behaviors:

- *Creating Peer Relationships*: Everyone, from IT leadership to staff resources, must view themselves as peers of the business, equally important and accountable for reaching enterprise goals and achieving business outcomes.
- *Developing Self-Esteem*: The IT organization cannot view itself as continually persecuted or inferior. If IT cannot convince the people in the mirror of their value, how can they convince anyone else?
- *Creating Business Cases*: Strong business cases, evaluated on both individual merit as part of a larger portfolio of potential resource investment, and imbued with Benefits Realization and Program Management planning, are important vehicles for contributing to strategic business initiatives and building collaborative alliances.
- *Acting Like Consultants*: It’s not enough to be a good technologist or engineer. Good consultants, according to Alan Weiss, focus on and drive agreement for the Objectives, Metrics and Value of their interventions. Equally important is developing strong business acumen and appropriate knowledge about the organization’s industry vertical.
- *Acting Like Marketers*: IT has to show the rest of the organization, continually and in terms it can understand, the value that it provides to that organization.

Conclusion

The IT organization can no longer afford to be viewed by the business as “that group over there, different from what we do.” IT’s ability to partner with business teams to create something exciting and valuable together and raise the bar for the business is a critical success factor. The ultimate measure of this success comes when business leaders seek out IT as the key partner and trusted advisor for enabling business outcomes, versus avoiding IT as a bureaucratic tar pit.

About the Authors

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