"This book taps directly into the current CIO mindset. Every leader should read this regardless of industry." —Gary A. King, Chief Information Officer, T-Mobile

THE NEW IT

How Technology Leaders Are Enabling Business Strategy in the Digital Age

JILL DYCHÉ

Foreword by Geoffrey A. Moore, bestselling author of *Crossing the Chasm*

Praise for *The New IT*

"*The New IT* taps directly into the current CIO mindset, regardless of industry. In a landscape of rapidly changing technologies and calls for greater innovation, Jill concisely articulates the IT organization imperative to closely collaborate with business counterparts to succeed. She provides clear templates, examples, and advice to start the important conversations and lay the groundwork for wholesale success, not mere incremental change."

—Gary A. King, Chief Information Officer, T-Mobile

"Jill has penned a Tocquevillian map of the digital world. *The New IT* should be a required text for every business leader in the country."

—Thornton May, futurist and author of *The New Know*

"Enterprise IT has reached an inflection point in how services are delivered and consumed, requiring our profession to undertake a transformation of our own. Jill Dyché describes well the challenges we face, how to assess them, and how to take action to complete the journey toward modern enterprise IT."

—Kimberly Stevenson, Vice President
and Chief Information Officer, Intel

"Jill Dyché's new book is the first book on IT that I've enjoyed in some time. Conversational, intuitive, and intelligent, Jill goes right to the heart of governance (control), innovation (change), identity (authority), relevance (alignment), and influence (strategy). It's a timely book that should be read by executives across organizations."

—Peter Marx, Chief Innovation
and Technology Officer, City of Los Angeles

"Jill Dyché has written a highly readable, entertaining book that will help CIOs and their executive partners address the ongoing challenge of converting IT from a strategic liability to a strategic asset. The book abounds with sound advice and profiles of extraordinary CIOs."

—Peter Weill and Jeanne Ross,
MIT Center for Information Systems Research,
and coauthors of *IT Governance*

"Everywhere I go I hear complaints about the old IT. Jill Dyché's book provides a comprehensive roadmap to changing IT to suit our analytical, consumer-driven, bring-your-own-device times. It's both incredibly useful and fun. You need these ideas!"

—Thomas H. Davenport, President's Distinguished
Professor of Information Technology
and Management, Babson College; author of *Big Data @ Work*;
and coauthor of *Competing on Analytics*

THE NEW IT

How Technology Leaders Are Enabling Business Strategy in the Digital Age

Jill Dyché

Mc Graw Hill Education

NEW YORK CHICAGO SAN FRANCISCO
ATHENS LONDON MADRID
MEXICO CITY MILAN NEW DELHI
SINGAPORE SYDNEY TORONTO

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part 1

IT Challenges, Real and Perceived

1

What's Wrong with IT?

Sometimes I get discouraged
Sometimes I feel so down
Sometimes I get so worried
But I don't know what about.

—Tom Petty & the Heartbreakers, "Century City" (1979)

It's a frigid wintry morning in Boston, and I hydroplane my way across the hotel parking lot, cursing myself for wearing four-inch heels as I grope inside my backpack for my rental car keys. Despite the ordeal, I'm finding this an apt metaphor for the client I'm about to go visit, a CIO looking to navigate the slippery political terrain of his company, a multinational financial services firm.

When I arrive at Mike's office, his assistant ushers me in, and I'm struck by the spaciousness of his new digs. I'd worked with Mike at his prior company, a regional bank, and he'd obviously moved up in the world. It's been a year since I've seen him, and he gives me a big hug.

"Great to see you, darlin'," he says, and though never a bullshitter, he seems to really mean it.

Besides the increase in square footage and the expansive view, Mike's new office is different in another way. The walls are plastered with colored images of org charts, bar charts, and heat maps. I recognize a Forrester Wave and a few Gartner Magic Quadrants as well as some operating frameworks my consulting firm had built for his prior company. Sitting behind his massive desk surrounded by colorful matrices and charts, Mike seems almost childlike.

"Looks like you made a good move, Mike," I say, taking a seat at his conference table.

Mike is standing at his Nespresso machine, steaming milk for my coffee. He hands me a demitasse cup, takes a seat at the table, and then bellows, "Sara! Shut the door!"

The minute the latch closes, Mike looks at me, manages a tired smile, and puts his head in his hands. "This place is freakin' nuts," he says.

He then regales me with a litany of problems, uncharacteristically rejecting the sunny synonym "opportunities" he had used when we worked together at the bank.

"My predecessor was here for 14 years. Nice guy. They kicked him out just shy of his 15-year anniversary, but I suspect by then he was secretly happy to go. He tried to make changes, but ultimately he had no power. Everything here is a silo. And the legacy systems are all built on a house of cards. Half of my executive peers are pushing me to modernize. The other half are off doing their own thing. There's no way to keep everyone happy. As soon as I create an ally, I lose one."

I nod sympathetically. I'd heard different versions of this from other CIOs, and at this point, I'm thinking of what Tolstoy said about how happy families are all alike, but every unhappy family is unhappy in its own way. No two IT departments break in exactly the same place.

Mike starts in on some of his executive colleagues, and the overall lack of vision. He mentions a book called *Snakes in Suits*,[1] which links corporate behaviors to clinical attributes of psychopathology. I indulge him in his rant. He cracks a joke that if someone doesn't change the financial services industry soon, he'll be putting his retirement fund into an offshore account. He then launches into a tirade about IT industry analysts before I finally interrupt him.

"Mike," I say, "let me just ask you something."

"What?" he says, blinking.

"I get what's wrong. You and I have both seen it before. But what do you need?"

"Jill, isn't it obvious? I need an operating model!"

"Let me ask the question a different way. Who do you want to be?"

Mike puts down his espresso and looks at me as if I've just fallen off a charm bracelet.

The Problem with IT

It's a discussion in meeting rooms, boardrooms, hotel conference rooms, and post-conference cocktail parties: Why isn't IT working? Ask anyone in a corporate or government job and you'll get an earful. As I was writing this book, I'd occasionally throw the question out to friends, clients, and beleaguered airplane seatmates.

The responses come fast and furious. They don't speak our language. They're too focused on résumé building and tinkering, not on driving business value. We don't understand what they're saying when they talk to us. They play favorites with vendors. The CIO hides in his office. They're always "in the weeds."

A few years ago during a session with the marketing staff at a large consumer products company, I asked the group of marketing professionals to dictate a "take no prisoners letter" to IT. The letter would allow for an honest list of grievances. It could only be a single page long, so that the important points came through, and it should include suggestions as well as complaints. We wouldn't send the letter—this would encourage complete honesty—but we would use it as the lightning rod for the group's frustrations.

As the team talked, a litany of complaints emerged that subsequently took form in the following letter:

> Dear IT Team:
>
> Long time no see. And by that, we mean, Where the hell have you been? We know you're around. Seems you've been complaining to our execs about the lack of business engagement. That we never talk to you. And now you're mad that we've hired consultants to come in to help us build a roadmap.
>
> Well, guess what? We had no choice. While you're letting that big ERP vendor buy you lunch and having dashboard bake-offs and devising new coding standards—again—we have work to do. It may have slipped your mind, but . . . Newsflash! The company has just downsized. Despite this rough patch, our responsibilities haven't changed. Remember the CEO's companywide webcast in January? The one where he promised that in

the coming year the company would cut costs while increasing customer acquisition and driving innovation? Well, that's our job. And we're trying to get it done.

At this stage we're not sure whether to feel resentment or resignation. After all, we know what you guys have been spending, and, frankly, all that funding should support *our* needs, not yours. You've been loading data into a data warehouse for as long as we can remember. But no one's asked us if we needed any of that data. And if we hear the question, "What keeps you up at night?" one more time from one of your business analysts, we're going to throw the poor bugger down the elevator shaft. Odds are he'll bounce off one of those big servers in your data center.

We read someplace that IT is supposed to act as a supplier to the business. We deal with suppliers all the time. But none of them expect us to understand their internal processes—they just help us solve our problems. You guys keep insisting that we work within your framework. Whatever it is.

Here's what we'd like. We'd like to track the results of our marketing campaigns by the hour and make continuous adjustments. We'd like to monitor and respond to the buzz about the company through social media listening. We'd like the account reps to know about support and payment issues when they're writing customer bids. We'd like to understand what's involved in pushing product recommendations to customers in real time. We'd like our finance and sales numbers to reconcile.

So while you're mounting your crusade against our consultants and lamenting our shoddy technical skills, why don't you schedule a face-to-face meeting with us and ask us about this list? No, this isn't another requirements gathering session. Instead, it's *us offering you* an opportunity to participate. We're hopeful that maybe you can help us solve some of these problems? Or maybe it'll just be business as usual.

In characteristic anticipation of something new,
Your Marketing Users

This exercise was fun for this team, letting them blow off a little steam and renew their esprit de corps. I asked the team members if they felt like sharing the letter with anyone, or whether they'd like to keep it as an artifact of what we all hoped could be an evolving collaboration. Someone even suggested printing the letter and burning it, letting the smoke waft through the air vents and into the CIO's office.

Then the CMO suggested that perhaps IT deserved equal time. I offered my services as an honest broker to the IT organization. With the CMO's permission, I convened a handful of IT managers and directors, reading marketing's letter aloud and then leading the IT team through a similar letter writing exercise. Here's what they came up with:

> Dear Marketing Team:
> Thanks for your letter and for taking the time to write it. We're surprised you knew where to send it since we never see you over here.
>
> In fact, we're working hard, and we're grateful for any type of feedback. Speaking of which, we invited you all to a lunch-and-learn session last Thursday where we presented a prototype of the customer event management (CEM) solution you've all been asking for. We're one step closer to predicting the churn of high-value customers, but we need your input. Most of you accepted the meeting invitation, but only four of you showed up. What happened?
>
> Okay, we don't want to seem defensive, but if you don't feel listened to, well, neither do we. We understand that you're not wild about those architecture and infrastructure conversations, and we try to shield you from that stuff whenever we can. But sometimes we need your approval for investments in foundational technologies. If IT indeed supports the business, both sides need to know what's being supported.
>
> But since you asked, we'll tell you where we've been. We've been trying to explain to you that we can't develop the custom software you've requested for a packaged price. It seems you all want "Google-simple" software on your desktops. Not to burst your bubble or anything, but here it is: there's really no such

thing as technology in a box. Stuff needs to be integrated. So, to answer your question for the ninety-ninth time: no, you can't just "plug and play."

We've also been delivering the 24×7 support you've wanted—or haven't you looked at the service-level agreements (SLAs) we created? This stings a little since we're on call day and night. You don't know this because you're fast asleep while we're upgrading the operational systems that feed your campaign management tool. Sure, you want pretty dashboards on your desktops, but the company is running huge mainframe systems. We can't even get you guys to come look at the stuff we're building for you. At lunchtime. With sandwiches.

Our conundrum is this: the business funds IT, so we're beholden to you for money. Yet when we want to make sure your money is used well, we can't get you to share where you're going, let alone evaluate the solutions you've asked us to build.

Look, we're happy to rethink the way we work together, to collaborate better. We're even happy to fund a resource to shadow you while you do your jobs so we don't have to keep on asking you what's next. But we need you to meet us halfway. Shoot, we need you to meet us, period. How about lunch?

You know where to find us. We're (literally) always here,
Your Corporate IT Colleagues

It's an ongoing battle, and more often than not, IT gets the blame. Indeed, IT bashing has become de rigueur not only in boardrooms but in the popular press and online. Business magazines are rife with discussions of how CIOs can get a seat at the table, how often the CIOs report to CFOs and COOs (versus CEOs), and reasons why the collective reputation of IT leaders has nosedived.

Forbes asked, "Why Doesn't the Role of the CIO Ever Solidify?" echoing a *TechRadar* article that asked, "Is the Role of CIO Still Essential to Business?" Bill Inmon, known in analytics circles as the "father of data warehousing," ranted in a blog post:

> So is it any wonder that the corporation does not trust its IT leadership when it comes to bringing in new technology? Hasn't IT leadership made every wrong decision in the book? If history is any indicator, why should any corporation trust its IT staff?[2]

Each of us has seen IT dysfunction in action, and it's never pretty. Scope creep invites projects that are late and over budget. Technically inclined staff are more comfortable playing in the technology sandbox than solving business problems. IT has a dearth of good communicators. Lack of leadership and direction by both corporate and IT management results in "bright shiny object syndrome."

For every problem, IT has its own halfhearted excuse. And when it comes to fixing those problems, the same tired shibboleths are trotted out as promising resolutions.

Kickoffs and Cold Cuts

My client Mike's desire for a framework—an operating model he could use as a template for redesigning his own broken department—was, in reality, a cry for help in the standard language of the CIO. Mike was simply, perhaps admirably, looking for a proven structure that he could leverage on behalf of his new firm. He had used frameworks in the past to communicate direction, and they had always worked. My team had designed an IT operating model for him at his old company, one that reflected its landscape of platforms and applications. He wanted a new one, a fresh one on which he could model his organization—and thus define his own role.

Indeed, IT leaders are comfortable with operating frameworks that mingle resource allocations, budgets, and projects. Absent such frameworks, IT executives are left to their own devices. They often blame others for their growing problems. I've heard variations of the situations listed in Table 1.1 firsthand from executives tired of repeated attempts at fixing IT problems, and they all fit within a few common themes.

TABLE 1.1: Common Excuses for IT Status Quo

Theme and/or Excuse	Telltale Signs	Actual Quote from an IT Executive
Lack of leadership	• The CEO doesn't establish clear measures for IT executives. • Key decision makers ignore IT or fail to engage. • IT executives are not involved in business planning. • Charismatic or visibility-focused CEOs may not view technology as newsworthy.	"He keeps saying 'just keep doing what you're doing.' But I'm getting bad performance reviews, and I've been disinvited to the board meetings. I didn't do anything wrong. The question is, Am I doing anything *right*?"
Lack of strategy	• The CEO or board of directors doesn't clearly communicate corporate direction. • Key initiative owners don't involve IT in planning or budgeting. • There's a general failure to link technology to corporate goals.	"The only way I can figure out where the company is going is by reading our annual report."
The need for modernization	• Aging systems require inordinate time and resources to maintain. • Confusion about emerging technologies results in inertia. • Legacy systems have become part of the cultural norm.	"They keep talking about using IT for first-mover advantage. But I'm up to my eyeballs trying to replace our 30-year-old mainframe and our 20-year-old customer information file. There's no time for anything new."
Lack of budget or headcount	• IT budgets get incrementally smaller as lines of business launch their own projects. • New job openings linger due to low salaries or poor company reputation. • Repeated funding requests are rejected in favor of non-IT spending.	"The CEO and board keep telling me that IT is a differentiator. But I've had open job reqs for three director-level positions I can't fill because the pay's so low. I have to personally attend design meetings!"

Theme and/ or Excuse	Telltale Signs	Actual Quote from an IT Executive
Pressure to preserve the base	• Classic revenue sources are protected at the expense of new product ideas. • Fear exists that innovation will lead to cannibalization. • There is unwillingness to sunset outdated or obsolete products. • The increasing threat of disruptive competitors is being ignored.	"Sales for our bestselling products are down. We need to redirect resources to increasing those revenues. It's never the right time to explore new products or services—or to formalize innovation."
Style differences	• IT leaders cite personality differences with corporate leadership as a barrier to engagement. • IT's culture doesn't reflect that of the corporation at large. • Visionary CIOs have difficulty refocusing their staffs toward innovation.	"We can't stand her. She likes to hear herself talk in meetings, and she doesn't listen. She doesn't accept suggestions, and she is unavailable for one-on-one discussions. So I just keep quiet. My next company will get my good ideas."
Poor understanding of IT's value	• IT leadership reports to the CFO or COO, not to the CEO. • Backward-looking corporate boards perceive IT as a shared service. • There is pressure to outsource potentially differentiating technologies. • IT is marginalized as an operating expense. • A strict hire-from-within policy means a dearth of new thinking or fresh perspectives.	"I've been trying to sell the CFO on investing in analytics. Then he tells me to bring system upgrade cost estimates to the next executive staff meeting. I guess that's all I need to know about how we're measured!"

Reactions to these all-too-real phenomena tend to focus more on personalities than on processes or systems. In fact, the sentence "Maybe we need to bring someone in from the outside" has left the lips of CEOs and CIOs alike in an effort to rectify these and other problems. The outsider can be a technology consultant, a systems integrator, a strategy guru, or an executive coach. The point is that he, she, or they won't be on the inside, and thus they will bring an unbiased perspective to the issues. They will have the experience to recommend a plan of action, and they'll have the authority to be taken seriously.

The external firm comes in, holds a kickoff meeting (lunch will be from Panera or some other purveyor of sandwiches-and-slaw), in which everyone is asked for opinions. The extroverts participate, citing the need for more IT budget or the business side's poor attention span, while the introverts process and take notes. I call this the Kickoff and Cold Cuts Approach to IT planning.

The consultants listen and develop some initial ideas (often reflecting the viewpoint of the person who hired them), which they discuss at the bar after the session.

Then they draft up a PowerPoint presentation, delivering a "readout" to their sponsor. They tweak their bullet points based on their sponsor's feedback—which sometimes contradicts their original recommendations—and distribute the document to the meeting participants. This process is represented in the cycle diagram in Figure 1.1.

Figure 1.1 The Ersatz IT Improvement Cycle

The result usually falls short of the original goals. Rather than driving widespread process changes that might introduce significant efficiencies or encourage innovation, the exercise results in small refinements or incremental tweaks that ultimately don't cover the cost of the consultants. By failing to address the root cause, or worse, by not identifying who they want to be and what their organizations want to be, the executives are simply putting their fingers in a hole to stop the spillage, until another hole develops. Over time, the entire effort fizzles.

Many IT managers and executives have come up through the technical ranks, and they are therefore comfortable making incremental refinements to processes, just as they did to their code earlier in their careers. And most of them understand that an inability to drive wholesale change isn't their fault; it's the fault of the executives and boards they report to. A lack of vision for the future—indeed, the inability to see IT's potential to enrich the organization—is the fault of the company's top leaders.

The New Gatekeepers

IT is at a moment when its future is being redefined, and its cultural power is shifting to a new set of gatekeepers. I joke in my conference keynotes that "there's nothing more dangerous than a CEO who's just read an airline magazine." After all, we've all sat across a conference room table from an impatient executive who's asked about a current trend without understanding the complexity of its implementation. (Cloud, anyone?)

Who are these new gatekeepers? They fall into two classes, business units and customers, and their dominance in the IT conversation is growing.

The Business Unit Rises

Research has found that almost half of the CEOs described CIOs as being out of touch with the business and unable to understand how to apply IT in new ways. Over half also considered IT "a commodity service purchased as needed."[3]

Clearly most CEOs haven't positioned IT as a strategic differentiator, never mind inviting their CIOs to weigh in on the conversation. The result? Lines of business, particularly marketing and finance organizations, are obtaining their own IT budgets and setting their own technology courses.

There are certainly cultural and even economic reasons for this shift. But the overarching reason is that business executives are more comfortable with technology than ever before. Marketing vice presidents routinely procure and implement multi-million-dollar customer relationship management (CRM) solutions. Chief financial officers have their favorite applications for balancing their general ledgers. Product managers download inventory reconciliations onto their iPads. A doctor can view her patient's vital signs from her smartphone. Even our home appliances are talking back to us!

And vendors have capitalized on these tech-savvy business users. Visit any large company and you're likely to find a multitude of so-called packaged applications and niche technology solutions obtained without the help—and sometimes without the knowledge—of IT. Business units, measured on sales uplift, campaign response rates, or customer satisfaction, are neither accountable for nor concerned about the fact that they've implemented what are in effect new information silos. Integrated systems and data simply aren't their concern.

At first, this incites questions. "Why did the business go behind our backs?" IT asks. "Why didn't they engage us?" Resentment sets in. "They don't know the first thing about managing a relationship with a cloud provider!" This ultimately leads to inevitable political tensions, each side defending its turf while furtive efforts to showcase expertise results in circling the wagons.

These behaviors become entrenched, and eventually they become part of the corporate culture. At this point they're almost impossible to undo, so CEOs and COOs throw up their hands, in effect sanctioning business unit independence and encouraging other departments to build their own rogue systems. There are no penalties. Thus so-called shadow IT comes out of the closet.

Customer Focus Comes Home to Roost

As with internal business executives, external customers are also getting smarter about technology. A company's ability to leverage IT to improve its relationship with customers can affect nothing less than competitive advantage. The so-called consumerization of technology has meant that a shopper can now go online with a few taps of her smartphone to find the best price on the product she wants, and with a few more taps, buy it. Welcome to the digital enterprise.

Likewise, social media sites are connecting companies with consumers irrespective of brand presence or marketing budget. "I know how to compete with my known competitors," one retail CEO told me recently. "It's the small guys eroding my margins that I can't keep up with." Indeed, unencumbered by years of history, aging management teams, or established business processes, smaller companies with strong social media presence are nipping at the heels of established brands. We need look no further than Blockbuster, MySpace, and Kodak to view the carnage.

Indeed, consumers are moving toward technology and away from large advertising budgets and branding to decide where to buy products and attain services. The website Craigslist has replaced the Yellow Pages, and word-of-mouth is more viral (and to some more credible) when it happens online.

While this has been a boon to small startups and the venture capitalists who fund them, it can be unsettling to executives at established companies saddled with decades-old legacy systems and deep-rooted cultures. As Nicco Mele explains in his book *The End of Big*, the advantages of scale enjoyed by most big companies are collapsing:

> In the past, to have big and powerful clients as a lawyer, you needed to be at a big firm, because only a big firm had access to a wide range of resources: large research teams, expensive subscriptions to legal journals, and secretaries to help you manage large volumes of paper that provided you with a research advantage. Today, with the help of simple online services like Google Search and specialized cloud-based software for the legal profession, a big firm's allure has substantially diminished.[4]

As a result, says Mele, more and more small companies are cropping up and staying small. These companies are attracting the attention of your customers, and they could become your competitors.

For CIOs of more traditional companies, this means new pressures to modernize, exploiting their firms' scale and financial resources while at the same time thinking of new ways to become more nimble and innovative.

The problem is that CEOs aren't measuring these CIOs for modernization or innovation. Instead, they're rewarded for keeping the lights on.

Forging a New IT Identity

The new IT organization is hardly the result of a revolution. It's more like a picnic where everyone brings his or her own favorite dish to the table, often blissfully unaware of what's already being served. The result is often many salads and desserts and a dearth of main courses. Guests leave craving something more substantial.

After all, you can only eat so much potato salad. That's a metaphor for the usual tactic of replacing systems and platforms with something no one really has an issue with, but that likewise doesn't really satisfy anyone.

The lack of IT executives' influence is certainly part of the problem. CIOs, struggling with shifting reporting structures and fighting for a seat at the executive table, are undergoing nothing less than an identity crisis. As CEOs and CFOs continue to measure IT on the trendiness of their smart devices, email uptime, and office applications—constantly scrutinizing IT costs, system availability, and help desk response time—CIOs desperately try to reform their reputations.

A 2013 CIO survey found that 63 percent of the IT executives interviewed were meeting more frequently with influential stakeholders in order to increase their organizational profiles and shift their focus to more pressing strategic concerns. The same survey found that only 39 percent of CIOs reported to the CEO, with the rest reporting to CFOs, COOs, or other departments.[5]

The truth is that kickoffs and cold cuts only go so far. Leaders must take a deliberate and honest look at where they're going in order to induce change. Before you can really know where you're going, you need to know where you are and what's driving the need for change.

The first step is to pinpoint the current challenges IT faces in the age of the cloud, big data, decaying legacy systems, and digital everything. Figure out what the "ideal state" looks like. Then plan what IT assets will help bolster the brands of both the IT organization and the company at large. And, finally, start steering delivery. Figure 1.2 illustrates the steps for creating a new IT identity.

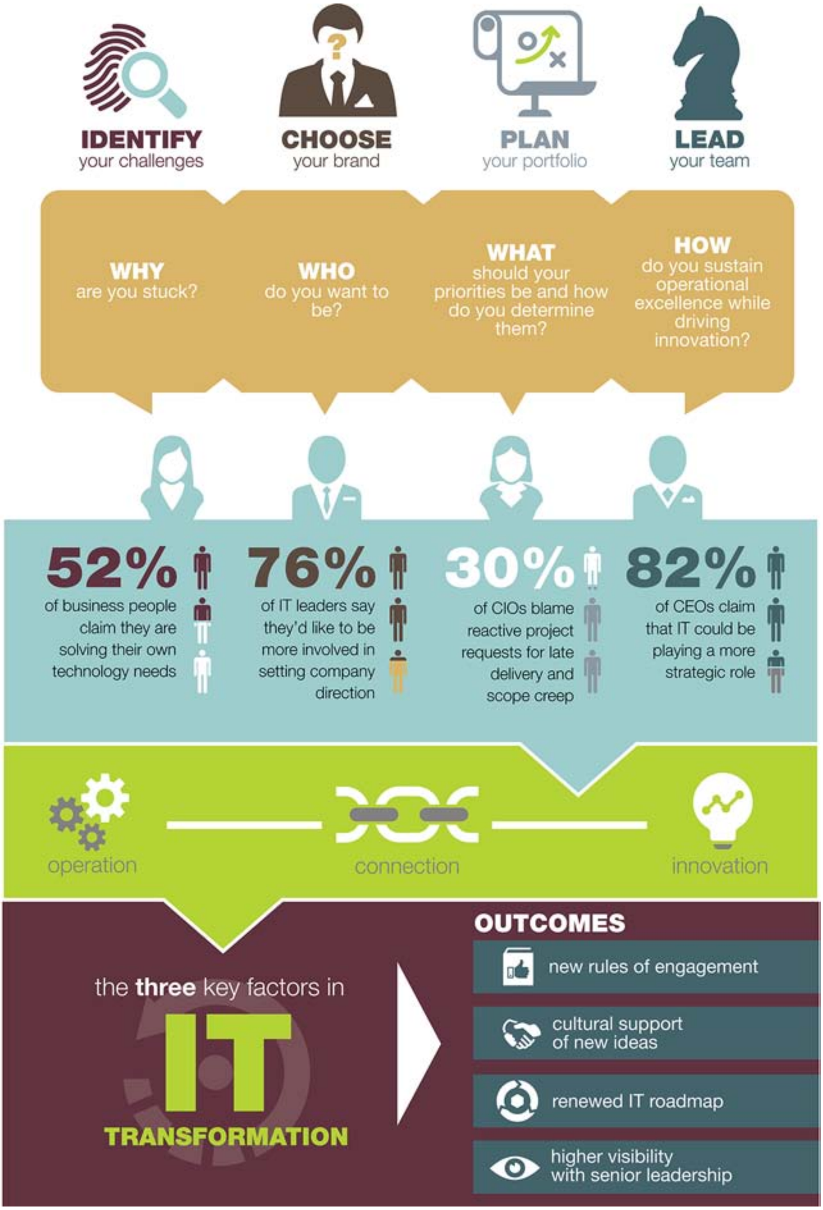

Figure 1.2 What Factors into IT Transformation?

Indeed, in order to successfully rebrand their organizations and redefine their own roles, IT leaders should consider three new decision levers that will drive change: operation, connection, and innovation.

Operation

Whether you're shedding commodity applications to the cloud or upgrading your legacy mainframes, as long as IT exists technology operation will always be considered part of its charter. How significant operational systems, enterprise applications, and user delivery technologies are in terms of IT's overall portfolio is the question (and one we'll explore a bit more in the next chapter). IT operations are foundational, allowing companies to execute critical business processes.

For better or worse, many IT leaders are so comfortable with IT operations that they don't venture beyond discussions of platforms, system uptimes, and security issues. While these are important, they underscore a risk avoidance mentality that is difficult to overcome.

"CIOs need to excel at running the day-to-day environment so there are no hiccups," says Rahoul Ghose, CIO of Lifetouch, the world's largest employee-owned photography company. "We need to be good at handling operational needs before we can turn our heads to the cool new stuff, like innovation via mobile apps."

Ghose stresses the need for CIOs to transcend operational focus and offer business solutions. "The pressure to keep systems humming is always there," he adds. "The reality is that when you hear about an IT executive who's fallen out of favor or lost his or her job, it's usually because of an operational failure. So, unfortunately, a lot of IT leaders stick within the safety of operational excellence when they should be doing more."

The question is, regardless of IT's existing competencies in procuring, administering, and managing technology platforms, what percentage of time do they command in the overall engagement and delivery cycle? And, more important, what priority should they claim moving forward? Technology operations are foundational. IT leaders must at once excel at operations, yet they must move beyond an operational focus and toward other less traditional competencies.

Connection

Connection takes many forms, and it can easily be applied to organizations, technology platforms, strategies, projects, or business processes. Many IT leaders conflate connection and integration, tying together diverse business processes via the applications and systems that automate them. With the advent of trends like big data, businesspeople are more apt to see connection through the lens of information, consolidating key data in an effort to reach a single view of the business. And executives see connection as an organizational move to align business units with each other, or with other "shared services" like IT and HR. Of course, connection is all of these things.

But many IT leaders mistake connection with centralization or colocation. Indeed, connection in its purest and most effective form is bringing together related capabilities to serve a larger purpose.

"Every company has the same basic set of technologies, give or take," says Dave Delafield, chief financial officer of Swedish Medical Group. "Everyone has an ERP system, and everyone has an enterprise data warehouse. The list goes on. But those are really the 10 percent problem. The other 90 percent is the complicated part: How do you take a big company and its people and try to drive a certain amount of alignment with technology, with limited capital and resources?"

Indeed, no successful IT organization has overcome its reputation of service provider and cost center without making sustained and meaningful connections, not only between systems but also with business constituencies.

Innovation

With all the buzz around innovation these days, you'd think that CEOs would put it front and center in their strategic planning. But they don't. Yet they expect IT leaders to order their staffs to start thinking up Big New Ideas, all the while retaining outdated compensation systems, thus cementing existing organizational dysfunctions and rewarding inertia.

As we'll see in Chapter 7, "Innovation, Going Digital, and Other Uphill Battles," executives can cultivate a culture of innovation through both emphasizing the strategic importance of new ideas and upending incumbent hierarchies and job functions in order to reward staff for out-of-the-box thinking. The emergence of big data analytics and digital marketing has given many in the C suite an excuse to, as many call it, "fail fast" with agile delivery processes, new technologies, and differentiated business capabilities.

As many executives look toward the future to redefine IT's role in their companies, they make the mistake of assuming that change must take place in an incremental and disassociated way. As the CIO of a Canadian bank told me:

> Once I replace my company's CIF [customer information file], I'll be in the position to start recommending how the bank can get closer to our customers. That's when my peers will start giving my team the respect we deserve.

It's the rare CIO who can stand before his IT infrastructure with its pulchritude of applications and platforms, wipe his hands, and declare, "Great! I'm done!" Most IT executives have numerous reasons for why they can't get out of the weeds. System modernization initiatives. Reduction of application bloat. Scrambling to support BYOD (bring your own device). Performance enhancements. But these efforts need to be placed in the proper context in the IT portfolio, so that IT leadership can drive a variety of heterogeneous initiatives across their systems and solutions—and make room to support business strategy and growth.

EXECUTIVE PROFILE

Ron Guerrier, Toyota Financial Services

When you pull up a chair in Ron Guerrier's office, the first thing you notice, just inside the doorway, is a bowl of tangerines. You offer a theory: visitors coming to pitch software or request funding for a new IT project have exactly the time it takes to peel and eat a tangerine. You then wonder how slowly you can chew.

But the vice president and chief information officer of Toyota Financial Services (TFS) demurs, citing instead his own personal experiment: when people have a choice, they'll choose the fruit over the candy stationed next to it. In effect, Guerrier is promoting the health of his managers and staff.

And not to put too fine a point on it, but Guerrier has been instrumental in the health of Toyota Financial Services. With $99 billion in managed assets, if Toyota Financial Services were a bank, it would be the nation's seventh largest. And Guerrier oversees the technology, solutions, infrastructure, processes, and staff that make it all work.

Taking the Wheel

Guerrier's IT organization has been celebrated in both the business and IT industry press. But what he inherited when he took over Business Technology Services (BTS) isn't what he's leading today.

"We needed a reset," he says of his early days as CIO. "We had a lot of outsiders coming in and telling us about ourselves. I actually wrote a white paper—I even remember the date: April 16, 2010—on the broken relationship between IT and the business. I described the problem and suggested how to fix it. If you don't tell your own story, someone else will tell it for you."

Guerrier set about reorganizing BTS, appointing division information officers (DIOs) as extensions of TFS business units. While they report to him, DIOs have dotted-line responsibility to the vice presidents of their respective business units. This ensures that each business group has their own dedicated IT delegate, in effect ensuring that each line of business has a seat at the IT table and vice versa.

"Putting the DIOs in place definitely improved our relationships with our business partners," says Guerrier. "Once we had more solid lines of communication in place, we could turn our attention to how we were actually communicating. Frankly, there were behaviors we needed to terminate as well as those we needed to encourage. For instance, we needed to stop leading every business conversation with a list of constraints. I tell everyone on my team that they are the 'voice of the CIO.' And that every conversation needs to be bidirectional."

(continues)

Those conversations aren't only bidirectional. They're also multidimensional. Communication mechanisms in BTS include town hall meetings, so-called huddles with smaller groups, and open office hours with Guerrier himself.

Driving Innovation

Guerrier realized that the communications and process refinements he was instituting would eventually allow him to turn his focus toward modernizing IT and introducing fresh technology solutions that could accelerate delivery and improve customer experiences with TFS. But first he had to tackle *muda*.

As a Japanese company, Toyota is steeped in kaizen, a business philosophy—literally translated as "change for the better" and popularized in the West by quality expert W. Edwards Deming—that enculturates continuous improvement and process efficiencies. Key to kaizen is the concept of *muda*, which loosely translates as "waste reduction." (So ingrained has *muda* become at Toyota that its *Wikipedia* definition even cites Toyota's production system.)

"When I was client delivery manager here back in 2007, we had a major kaizen initiative," says Guerrier. "I learned how superfluous work can get in the way of getting things done. So *muda* has become a major focus for us here. For instance, we just finished sunsetting Lotus Notes. That decision was about *muda*. These types of decisions give us more room to focus on new ideas."

New ideas include, for example, moving key applications to the cloud and to digital—Guerrier promoted Marlo Donate to chief digital officer in 2013 to lead the TFS digital direction—and social media technologies. And Guerrier recently introduced an innovation lab, iLab, as a proving ground for new technologies.

"If businesspeople aren't involved regularly with IT, they'll make assumptions about what we can and can't deliver. So they'll end up seeking solutions elsewhere. iLab gives the business a chance to come in and tinker with new technologies. They can engage directly with new tools—see them, touch them."

Guerrier has also invited software vendors into the iLab, allowing them to install their products and invite businesspeople to use them. "We're expanding to feature more functionality and more tool sets," he says. "In the past, when developing systems for the business, it was similar to picking up rocks from the beach. Businesspeople would describe what they wanted, and we'd run to the beach to pick it up. Now we use the iLab as a means of collaboration. Our partners are letting us borrow some of their newer technologies. In the iLab, they can test and prototype. Now it's like inviting our business users to the beach and letting them choose their own rocks!"

Speeding Toward the Future

When it comes to balancing an admittedly aging infrastructure with what he calls "cool new tools," Guerrier lives the challenge every day. "When you have an organization that's 32 years old, some people don't know the origin of the systems. They don't understand the logic of why things are the way they are. But that doesn't mean you have to stand still."

And that white paper Guerrier authored back in 2010? He credits the ideas he proposed for his promotion to CIO. Its title? "IT Delivery 3.0."

CHAPTER SUMMARY

Key Takeaways

- Technology executives across responsibilities struggle to define what IT should look like, often relying on boilerplate frameworks that might not reflect their unique cultures or skills.
- A "keeping the lights on" mentality among company executives means that CIOs have to overcome entrenched biases and behaviors in order to incite change.
- Business disaffection with IT can take many forms, but it is usually the result of lack of delivery or the perception of IT "science projects."

- Well-worn habits, such as retaining outside consultants or coaches, rarely result in systemic change. Rather, they drive refinements or organizational tweaks that might not be sustainable.
- Both internal (line of business) and external (customers and evolving social media technologies) forces are driving technology changes that affect more than just companies' technology plans. They can also change the way the market views your brand.
- The key question CIOs must ask is not, "What should I do with my organization?" but instead, "Who do I want to be in order to drive value?" and "What will my culture support?" We'll examine answers to these questions in subsequent chapters.

Note to the CEO

To transcend established practices and drive change, IT executives need your influence and reach. After all, you promoted that technology director to CIO. It's only fair that you're now willing to help develop your CIO's strategic savvy, highlight her as-yet-untapped coaching skills, and help her delegate more operational responsibilities.

Sometimes executive edict is the only way to leapfrog some of the well-worn excuses discussed in this chapter. As you continue reading, stay aware of ideas that might work at your company. Be prepared to not only advocate them but to also support your leadership team in changing roles and responsibilities, accelerating delivery processes, and rebranding IT. In the next chapter, we'll discuss where to start.

About the Author

Jill Dyché—frank, funny, and full of great stories—has been thinking, writing, and speaking about business-IT alignment for over two decades. In her career as a consultant and advisor to executives across industries, she's seen technology organizations deliver strategic change, and she has worked with managers across IT and business functions to make it stick.

Jill has lived in far-flung locales including Paris, London, and Sydney, lecturing at industry conferences, tech events, and leading business schools, and blogging on the topic of why corporate technologies are—or, at least *should be*—business driven. She is the author of *e-Data* (Addison-Wesley, 2000), *The CRM Handbook* (Addison-Wesley, 2002), and with coauthor Evan Levy, *Customer Data Integration* (Wiley, 2007). Her work has been featured in numerous magazines and journals including Newsweek.com, HBR.org, *Information Week*, *Computerworld*, and Forbes.com.

Jill was the cofounder of Baseline Consulting, a management consulting firm that was acquired by SAS in 2011. She lives in Los Angeles, where she samples fringe Cabernets, rescues shelter dogs, and writes the occasional haiku. Reach her at jill.dyche@sas.com.

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