



THE FRUITION PAPERS

Columns written by Chris Potts
for CIO Magazine



September 2007 – October 2008



frulTion is © Technics Publications LLC. Extracts used with permission.
Chris Potts's columns and this collection are © Dominic Barrow Services Limited.
Dominic Barrow is the Consulting Brand of Chris Potts, and a Registered Trade Mark.

DOMINIC
BARROW®

The fruTion Papers

Introduction

Between September 2007 and November 2008, CIO Magazine in the USA commissioned me to write five 'Think Tank' columns for their readership.

Each column echoes a specific theme that occurs in fruTion, exploring it in a wider context than the events in the book. They also reflect some contemporary themes such as the economic downturn, Web 2.0, "shadow IT", and the ongoing evolution of the CIO.

This special collection of all five columns "The fruTion Papers" is to mark 2009 as my tenth anniversary year as 'Dominic Barrow', and the first anniversary of fruTion's publication.

You don't need to have read fruTion to appreciate and enjoy the columns. Also, I wrote every one independently of the others, and of the book itself, so each stands on its own. But together they offer a collection of perspectives, drawn from a common set of principles and experiences, on the evolution of corporate strategies for IT and of the role of CIO.

If you have read fruTion, and would like to relate the columns to the story, I've included a reference to the moment in Ian's journey of discovery and change to which each column primarily relates.



Let The Business Drive IT Strategy

Strategically Exploiting IT Financial Constraints

The Limits of Running IT Like a Business

Tools for Leading Business Change

It's Time to Change Your Investment Culture



Let The Business Drive IT Strategy

“Surely [our business executives] are the people best placed to drive our plans for IT, especially as they’re the ones that pay for it all. This isn’t the old days, when only you and your people knew what IT was best for us. It’s the other way around now, in case you hadn’t noticed.”

Juliette (CEO) to Ian (CIO, and fruITion’s narrator), Page 18

Let The Business Drive IT Strategy

By Chris Potts



Commissioned by CIO.com, and published on 5th September 2007

“Those who are skilled at executing a strategy” Sun Tzu wrote, “bend the strategies of others without conflict.” This fundamental principle helps to explain why some CIOs are now having more success than others at executing strategy. The IT department that once held a monopoly over its company’s IT is gone, and with it the control-based, IT-centric strategy conceived for the mainframe era. Changes in the business environment have rendered such strategies un-executable.

With the advent of Web 2.0 and the bizarrely-named ‘shadow IT’, CIOs know that their span of control over IT decisions is more limited by the day. Instead, the executives, managers, staff and customers at their companies all have their own ‘de facto’ strategies for exploiting IT. Faced with this challenge, CIOs are exploring their options, which include abandoning the idea of an IT strategy, sticking with the old way (but often only on paper) or forging a new generation of IT exploitation strategies. Wrapped up in this decision is the ultimate destiny of the CIO role itself, which in some companies is becoming marginalised as a quasi-supplier of technology services and in others is disappearing altogether.

The CIO’s strategic challenge now is to capture and channel the energy of individuals’ personal strategies for exploiting IT. Backed by a corporate purpose to maximise total value, innovate, constrain overall cost and mitigate risk, effective CIOs must focus on, as Sun Tzu might say, ‘bending’ some of these personal strategies towards a better conclusion or - in the case of individuals who are pursuing goals not aligned with the company strategy - into a dead end. Many personal strategies can simply be encouraged, or strategically ignored.

Why IT Strategy Is No More

Two critical inflection points have directed us to where we are today. The first was the switch from dumb-terminal to client-server computing that started 20-odd years ago and went global with the Internet. The second was the business executive's response to Y2k and the dotcom boom.

Business people stopped believing the IT hype and techno-speak, suspecting that investments were being driven more by suppliers' strategies rather than their own. They took control of the IT agenda at the big picture level and focused on two things they understand very well – cost, and business innovation.

These two inflections put IT decision-making in the hands of non-technologists at both operational and strategic levels. Yet formal strategies for IT have largely remained the province of IT departments and vendors. Few non-IT executives and managers have defined their strategies for investing in and exploiting IT; such strategies are, therefore, de facto. CIOs can make a tactical choice to either let these de facto strategies be, to rely on an orthodox IT strategy or to take the initiative and lead a business-defined strategy for exploiting technology.

So far, CIOs' responses to this changing environment have been mixed. Some have continued with an orthodox IT Strategy - although I've noticed that many do not stick to what it promises, thereby defaulting to a de facto strategy of their own. Others have abandoned having a strategy for IT, which is a reasonable proposition if the company is an expert consumer of IT and can bend the de facto strategies that its IT vendors and partners will attempt to impose.

Some CIOs (and I have been fortunate to work with a number of them) have taken the third approach. They are collaborating with their executive colleagues to formulate, ratify and execute a corporate strategy for exploiting IT. This is very different from the traditional IT-centric strategy that consists of tens or hundreds of pages of technically-oriented diagrams and prose and which can take months to develop.

The business-defined strategy can be formulated in a few days and summarised on one page. It's easy for executives to understand, explore and remember, as well as to apply to their everyday decisions.

A Strategy for the Future

This simple strategy has three sections: the strategic promise (the business outcome the strategy will achieve); key principles (fundamental truths which apply to every IT-related decision); and core tactics (the main things the company will do to execute the strategy, given the environment in which it must succeed).

Although each corporate strategy for exploiting IT is unique to the company it belongs to, all have some comparable features. Each is a bona-fide corporate strategy, not that of a technology supplier or a group of technicians. With a promise to create maximum value from exploiting IT (not just deploying IT that enables value to be created) its first principle recognises that IT, on its own, creates no value.

To have a standalone IT investment budget is therefore illogical, so a core tactic is to integrate IT investments with the business plans that need them and proactively manage the big picture.

Such a strategy focuses primarily on the community of technology users, who, far from being shadow technologists, are the 'new IT'. Whereas traditional IT strategies were mainly about the IT department and its suppliers, the new strategy focuses on the people who shape, source and exploit their company's IT investments. Calling those people 'shadow IT' exposes a mindset that is dangerously at odds with today's reality and risks further marginalising the IT department from everyone else.

What Will Happen to the Corporate CIO

Strategies for exploiting IT are already becoming integral to broader business strategies, and in this new context the value of having a corporate-level CIO needs to be discovered all over again. The role will adapt and evolve, potentially into something very different and even more valuable.

I was recently with a US-based multinational company, helping them define their strategy for optimising the portfolio of businesses they have acquired over the past few years. The promise of this strategy - its value proposition - is to enhance bottom-line performance by better sharing common capabilities and without building a shared services monolith.

One dimension of this strategy concerns the company's processes, systems and technologies. To address this, they are adopting Web 2.0-style collaboration-based thinking (though not necessarily Web 2.0 technologies) to create a community of business unit CIOs who share and exploit their local technology investments for both business unit and corporate gain.

The company set out with the idea that it might need a corporate CIO, but everyone is struggling to see the value of having one. Instead, the solution they are now exploring is to have a global CTO responsible for technology services and reporting to the COO. In place of a corporate CIO they are looking to appoint a VP of Investments in Change, accountable for the total return the company gets from all the changes it invests its resources in, whether or not these changes involve technology.

Similar models are emerging elsewhere, as executives realize that their historic problems with IT investments are a symptom of fundamental problems within their culture when it comes to investing in change - problems which many CIOs do not appear motivated to or qualified to resolve.

For example, in the United Kingdom, two major retailers – the Alliance Boots pharmacy chain and the department store group House of Fraser - have recently axed their corporate-level CIOs. House of Fraser has split the role into two, separating 'services' and 'developments', while Alliance Boots have outsourced much of its IT delivery and have decided they no longer need a corporate-level IT function.

These are strong signals for CIOs to focus the strategic IT conversation on exploiting technology investments in the context of value-creating business change, and to keep the technology strategy both meaningful and simple.

In this way, the CIO can emerge as her company's strategic investor in change, rather than become marginalised or obsolete -- provided of course, that CIOs today grasp and bend the golden opportunities that their increasingly technology-savvy colleagues and developments such as Web 2.0 offer.





Strategically Exploiting IT Financial Constraints

“I don’t think we need to be too concerned by the absolute [IT] numbers themselves, but I am recommending that we use them as levers to drive changes in business behavior...”

Ian, Page 200

Strategically Exploiting IT Financial Constraints

By Chris Potts



Commissioned by CIO.com, and published on 4th February 2008
As "Why You Shouldn't Have An IT Budget"

One of the many diamonds of wisdom that come from working with people running companies is that a corporate strategy needs a constraint or two. While the strategy sets the ambition and context for business decisions, constraints drive us to make them. Two things, however, are vital: a constraint must be genuine, not imagined or contrived, and people must know how to use it in ways that execute the strategy rather than undermine it.

With much talk of global economic challenges in the air, it's a good time to reflect upon what we've learned about the value of IT spending constraints to the success of the CIO's strategy. Some battening-down of the hatches seems inevitable, so let's make sure we turn this to our advantage. Even if the current economic concerns turn out to be misplaced, we can make sure the strategy wins either way.

What do we need everyone to remember about constraining IT costs? I've chosen two main themes.

First, that a CIO's departmental budget is rarely the same as the company's total IT spending. Constraining that budget is no guarantee that we are constraining the company's overall costs of IT because there are almost always IT expenditures in business unit budgets. So let's not focus on the IT department budget until we've understood the wider IT spending picture.

Second, that constraining IT costs in isolation from the business decisions that create them breaks the first principle of IT investment (which is that technology, on its own, delivers no value). IT budget constraints potentially impact all the people using IT to create business value, and all the business decisions that cause IT costs to exist. This is not like, for example, setting the marketing and sales budgets, where the consequences are mainly limited to marketing and sales.

So let's also understand, and utilize, the business causes of IT costs and the business impacts of constraining them in order to define how much to spend on IT.

Defining the IT Budget

Rachael is the CIO of major transportation company, with 400 staff. Her departmental budget for this year is \$245 million, 17 percent more than last year. When times are tough, that seems wrong. Most departmental budgets are likely to be frozen or cut.

However, her executive colleagues know what is causing the increase; that Rachael's departmental budget is a variable proportion of the company's total IT spending; and that she consistently reduces her like-for-like budget (i.e., excluding the incremental impacts of new projects and of business volume growth).

Rachael is leading the corporate strategy for IT. Its promise is that the company will create maximum value from all its investments involving IT. That would still be the promise of the corporate strategy for IT even if there were no IT department.

The IT numbers that most concern Rachael and her colleagues are not her departmental budget and the specific range of IT services it covers, but the company's total IT costs. In particular, the two numbers they always want to explore are total cash spending on IT and the total cost of IT to profit and loss (P&L). Cash spending is the money that goes out the door, whereas cost to P&L is how much IT costs the profit of each business unit and of the company as a whole. The two numbers are always different and are usually managed by different people.

Elements of both IT numbers appear in several corporate, business unit and project budgets. Rachael's strategy relies on transparency of both the total numbers and the business decisions that cause them. So the last thing that she and her colleagues need is for people to hide IT costs, call them something else to get around constraints on IT spending, or call non-IT costs "IT." Besides blinding their strategy to the truth, such behaviors also undermine their tactics for using IT costs to influence business decisions and make nonsense of their IT benchmarking.

Because Rachael is transparent with her colleagues about her department's costs, their underlying causes and what those costs are paying for, her colleagues are equally transparent with her about the IT-related costs that come within their budgets. So they are all confident that they are working with the bona fide total IT numbers within an immaterial margin for error.

As a result, Rachael can prudently estimate that the company will spend a cash total of \$316 million this year on IT, 27 percent less than last year. While her departmental budget is increasing, total IT spending is expected to decline. However, Rachael also has to tell her colleagues that the total cost of IT to the company's P&L is expected to increase by 15 percent to \$285 million.

What are the main causes, her colleagues ask, of the movements in these numbers, and what can we do to reduce how much is spent on IT? This is where exploring the IT costs in isolation has to stop and the business context for those numbers must begin.

Rachael explains that the total cash spending on IT is mainly expected to reduce this year because the company is planning to invest less in business projects, and that a lower proportion of those projects' total business investment is planned to be spent on IT. However, she cautions, the actual total may be different from current provisions because many projects have yet to be initiated or even conceived.

Cut Spending the Right Way

If the executives want to reduce total cash spending on IT what options do they have?

There will be some scope to prune total operational expenditure on IT. However, this will be paying for services that are used by the company's employees and customers to create value throughout the organization and beyond. These expenses are also covered by contracts with suppliers and IT employees. Furthermore, CIOs like Rachael have focused relentlessly in recent years on finding operational efficiencies and economies of scale.

More likely, the main room for maneuver will be in business projects involving IT (what we used to misguidedly called IT projects). Now, with everyone looking at the IT numbers they might be tempted to prioritize the IT costs within projects to meet a new, lower, IT total. This is the right process, but is looking at the wrong numbers.

The cash that executives are planning to spend on IT is only one element of the total project investment necessary to deliver the promised benefits. If the executives want to prioritize investments in projects involving IT they need to consider the entire project, not just the IT elements. They can choose not to invest in projects that promise the least bang for the business buck.

But a better process is to explore how they can achieve the same bang by spending less, or even nothing, by better exploiting existing systems. When they've finished, total IT spending within projects may be less or even the same, but the company will have the most productive portfolio of projects involving IT given the cash constraints they are working within.

Turning to the total IT costs to P&L, again, where is the room for maneuver? In Rachael's company these are increasing while total cash spending on IT is falling. This is because the costs to P&L are primarily caused by previous years' projects, not this year's. Capital investments in IT cause depreciation charges to P&L for years ahead, while many projects involving IT cause permanent increases in the operational costs for IT services. The best time to start constraining this year's IT costs to P&L was last year and before!

Therefore, to significantly influence future costs of IT to P&L we'd better start now. Constraining future IT costs to P&L needs to be an integral part of our project approvals process, solution designs, sourcing decisions and project management. If our projects portfolio is going to impact our future IT costs to P&L by more than we can afford, then we need to recraft the business changes that plan to exploit technology, with no loss of business value, so that the future IT costs stay within our constraints.

In constraining a company's overall costs of IT, the CIO's departmental budget is something of a red herring. Business decisions that cause the company to spend money on IT make the total IT costs what they are. If we get those decisions right then the most appropriate total IT spending, and then IT budgets, will emerge. That's worth remembering when we're looking at IT costs, whether times are hard or not.



The Limits of Running IT Like a Business

“How much longer do you want us all to treat you like a supplier?”

“I don’t want you to treat me like a supplier. Why do you think that I do?”

“Because you act like one.”

Graham (Juliette’s Group Strategy Director) and Ian, Page 31

The Limits of Running IT Like a Business

By Chris Potts



Commissioned by CIO.com, and published on 16th April 2008

A rallying call of corporate strategies for IT in recent years has been to run the IT department "like a business". When the technology-centric first generation of IT strategies reached a point of diminishing returns, this next stage was both inevitable and beneficial. With the bulk of IT spending shifting from investment in new and exciting technologies to maintaining and replacing existing ones, applying sound business discipline has kept that spending under control and driven a necessary focus on IT operational performance and efficiency.

But with these benefits come pitfalls, especially if you take the IT-is-like-a-business approach to extremes. If you've tried managing an internal IT department as a bona-fide business you already know that you can't take that very far, for the obvious reason that your IT department isn't a business. It is, after all, a part of a business: a significant contributor to a value chain, not a self-contained value chain of its own. And the harder you try to create a separate value chain for IT, the harder it becomes for the IT department to become integrated with the business it of which it is truly part.

A strategy founded on running the IT department like a business will itself reach a natural point of diminishing returns, if it hasn't already. Innovative companies have moved to the next generation strategy, in which the CIO's purpose is not necessarily to run a traditional IT department at all. Her primary role is to provide corporate leadership to business functions which are investing in and exploiting IT in the context of their business strategies and operating plans.

The Pitfalls of Running IT as a Business

The drive for IT departments to manage themselves in more business-like ways followed the technology-centric strategies that effectively ended once the 21st century got into its stride. People learned - often the hard way - that technology deployment alone does not guarantee business success, and have been putting those lessons into practice ever since. As executives called time on deploying IT at potentially any cost, technology-centric strategies gave way to ones founded on IT operational efficiencies: IT departments would deliver more for less.

The benefits of running an IT department in a more efficient, business-like way are well-known. The department's purpose is clear to its staff and stakeholders: people know what IT is accountable for, and what it isn't, and therefore how to organize their own part of the business to get the most from technology. The IT department's internal processes become ever-more efficient, costing progressively less with no loss of value to the business units which fund them. Any activity that contributes to the department's purpose and processes, but which is not core to them, is constantly market-tested to find and exploit the best sourcing option, whether that be in-house or outsourced.

However, alongside the benefits of running the IT department like a business, there are also risks and pitfalls. The most damaging to the CIO's longer-term strategy is any attempt to run the department as a separate business rather than just in a more businesslike way.

There's a world of difference between running the IT department "like" a business, and trying to run it "as" one. It's amazing how one word can fundamentally alter strategy. Running IT like a business means adopting a business-like mindset, processes and financial disciplines. Running it as a business means competing for revenue and investment in an open market, and going bankrupt if you run out of cash to cover your liabilities.

What happens if a CIO attempts to run her department as a business? Colleagues in other departments will perceive that the IT department wants to be treated like a supplier. If the CIO's chosen business is primarily to be a provider of operational IT services, then that what is her "customers" expect her to concentrate on. In that case, contributing to corporate and business strategies will be an heroic, uphill battle rather than the IT department's core contribution to the enterprise. The prevalence of heroic How-We-in-IT-Contributed-to-Strategy stories in the media offers us insight into how much IT's strategic contribution is currently considered exceptional, rather than its stock-in-trade.

The IT department might find another pitfall if it tries too hard to run itself as a business. The company's business units will be reluctant to fund any material investment by IT in anything that looks like branding, marketing, selling, or upgrading the management systems that support the IT department's own productivity. Why should they? One of the primary cost advantages of an internal department is that it doesn't require all the capabilities a real supplier needs to compete on the open market. So the CIO is caught. She has placed herself in competition with bona fide external suppliers but without access to the investment that they have in order to compete as an equal.

In the long term, the IT department will find itself in a corner from which escape becomes ever more difficult. It lacks the means to compete with real IT suppliers, but has dis-integrated itself from the business of which it is meant to be part. It wants to be taken seriously in the world of strategy, yet its primary business is operational. This is when taking "IT department as a business" too far seriously undermines the next generation strategy for IT.

From Efficient to Strategic

After the technology-centric strategy, then the efficiency-centric one, the strategic IT focus is now on exploiting technology to create new business value. Today's successful CIO is one that is primarily valued as leader of a corporate strategy, in which the company is an "expert customer" of IT. Managing operational delivery of IT services in a business-like way is simply expected, if the CIO still does it at all.

Unless the company is already an expert customer of IT, its people will need strategic leadership from trusted colleagues who do not have a vested interest in supplying technology services. If the IT department is behaving as a business supplying operational IT services, then who can everyone trust to provide the strategic leadership that the next generation of IT strategy demands?

A CIO who is trying to run the IT department as if it were a separate business will need to rethink her operating model. What have others done in such circumstances? They have divided their department's activities into two groups: core capabilities, and services. Core capabilities are those IT-related activities that the company must have in-house and which make it an expert customer of technology, while services are the activities that the company can choose to either keep in-house or outsource. Naturally, the CIO's own activities should be included under core capabilities rather than services.

Having divided her IT department's activities into these two categories, the CIO can benchmark her company's core IT-related capabilities against the models that other innovative companies are using. In particular, the company should excel at true enterprise architecture (not just its technology components) and investing in business change. Together, these are the corporate engine of strategic investment and value creation, both for IT and everything else, and are supported by robust sourcing to spend that investment wisely. The CIO may find her IT department's strategic influence is low because these core capabilities are weak or missing, or are not integrated enough with their equivalents in the wider company.

Having explored the company's strengths and weaknesses in its core capabilities as a customer of IT, the CIO faces a major choice. Does she primarily develop them within the IT department, or elsewhere in the company? If IT is perceived to be operating as a supplier, the first of these options is not realistically open to her. Therefore the CIO's is faced with developing those core capabilities outside of the IT department. And as she is the executive leader of those capabilities, that means she may need to give up day-to-day control of IT service delivery and concentrate on corporate strategy.

That is indeed what some CIOs have done. They have established a corporate-level team that develops and leads the company's strategy and capabilities as an expert customer of IT, with no accountability for day-to-day delivery of IT services. That accountability is in the hands of a CTO or equivalent with reporting a line into the company's operational management, for example the Chief Operating Officer. Depending on the extent to which IT services are outsourced, that reporting line may one day be to the Chief Sourcing Officer.

This model, that separates the corporate strategy for IT from operational service delivery, may not suit everyone. But as we explore the strategic options for maximizing IT's strategic contribution, it's essential to know it exists.



Tools for Leading Business Change

The issue we associate with IT is not really about IT at all, but about our ability and determination to create value from our investments in change – whether or not those investments involve IT.

Ian's one-page Corporate Strategy for Exploiting IT, page 185

Tools for Leading Business Change

By Chris Potts



Commissioned by CIO.com, and published on 14th July 2008

In less than five years' time the CIO role, according to CIOs themselves, is destined to become either an executive leader of business change, or absorbed into another role. This prediction comes from face-to-face research by a leading CIO headhunter, Cathy Holley. Holley undertook her research in 2002, asking CIOs to envisage their role 10 years into the future. Destiny takes time to unfold, but we can now see their conclusion being borne out, which is testament to their vision.

The CIO's traditional role managing IT operations explains why this journey is a long one. About the same time that Holley was capturing CIOs' vision of their future role, my own company was exploring the maturity of organizations' strategic IT management. Of the CIOs in our survey, 69 percent said that the main focus of their company's strategy for IT was on operations and service management. For CIOs to turn around these historic expectations of themselves and their strategies takes time and persistent tactics.

Now, the need for corporate leadership of change has never been greater, and is unlikely to recede. Over the next three years, two-thirds of CEOs worldwide are planning extensive business model innovation, and three quarters are actively entering new markets, according to the 2008 IBM Global CEO Survey "The Enterprise of the Future". However, IBM concluded, while CEOs are planning significant change they are not confident of their ability to manage it. The economic climate must only add to those doubts. Investments that collectively change the business model--in IT and everything else--must be as efficient and value-creating as possible.

Those same CEOs ought to be doubly concerned, because technology-sparked developments such as Web 2.0 (and the enterprise version of it) are changing the business model anyway. According to a panel of venture capitalists looking "Beyond Web 2.0" during a recent innovation conference at Cambridge University, Web 2.0 is altering the relationship between employee and employer, putting each of us at the centre of our own unique networks of collaborators and knowledge-sharers. And it is already more of a social and cultural movement than a technology one.

Web 2.0 has also meant a shift in the nature of change itself. It represents a trend towards throwaway investments in change, at employee and team levels, if not corporately. The venture capitalists' perspective is that the churn in Web 2.0 applications and beyond will be much faster than we've seen before. This, and all the above factors, influence the way they are making investments. Although investments in changing one's business model are not predicated, like those of venture capitalists, on an exit strategy, we need to let these factors influence us too.

Where Web 2.0 Meets IT Strategy

Although technology has sparked business changes, these changes are now primarily about people and culture. With the CIO as corporate strategist for technology-related developments, the executive team should be looking to her for guidance. For example, the CIO needs to show how the company's business model and change process can harness new trends so that they enhance the corporate strategy, not undermine it. And she must keep reminding everyone that the changes Web 2.0 has triggered are being driven more by people than technology. According to the IBM research, CEOs may be ready to agree. Compared to the 2006 version of the survey, fewer CEOs now rate technology factors, and more of them rate people skills, as drivers of change.

The increasing personalization of IT via Web 2.0 offers people more freedoms in the way they use technology, but more accountability for their actions. Each of us can exploit our unique skills, knowledge, contacts and personal enterprise to choose a way of working that delivers most value. As a result, it is becoming ever harder for people who are at a distance from the corporate front lines, including the people in IT, to be accountable for the design and execution of at-the-front-line processes. Nowadays, accountability for what someone does with technology has to sit with that person and her immediate manager. In some organizations, this can represent a difficult cultural shift.

At the corporate level, all of these factors challenge how executives now shape, invest in and manage the architecture of the company. Even those CEOs who are not planning a new business model may find one thrust upon them. This model is one in which personal enterprise and collaboration flourish, using throwaway solutions where appropriate. Overall, it achieves the corporate strategy - both the commercial aims, and the legal and regulatory responsibilities. Equally, it protects everyone with a culture and an accountability structure that prevent harm to the company, its stakeholders and people's own careers.

Tools of Change: Enterprise Architecture and Portfolio Management

For today's CIOs to make the most telling contribution in this landscape of change, personal enterprise and collaboration, the 2012 vision of their role as leaders of change needs to come true as quickly as possible. Here's why.

In recent years, CIOs have been assembling the two key capabilities a company needs for redesigning its business model and cohesively investing in change. Firstly, to understand the 'big picture' and drive business model innovation, they have been maturing the practice of Enterprise Architecture, albeit with an IT-centric theme.

Secondly, given the scrutiny that boards have relentlessly applied to IT costs and value, and to execute the business model innovations that Enterprise Architecture brings, CIOs have been developing Investment Portfolio Management. However, portfolio management is sometimes concealed under the misnomer of 'IT Governance' and applied only for IT spending.

The challenge now facing CEOs and CIOs is that these vital business capabilities are often being led from within IT, and with a mainly IT-oriented focus. So the next big step in the CIO's strategy, in collaboration with the CEO, is to manoeuvre them out of IT and into the wider business. This is not as easy as it may sound, as organizations which have already done it have learned.

For example, if Enterprise Architecture has been traditionally led by IT people, and been about technology-related things, then everyone else must now discover its true business potential and their own roles in its success. For some this can be a real surprise, where Enterprise Architecture has so far been regarded as the province of a few very smart specialists. They will find that true Enterprise Architecture is founded on collaboration amongst the company's executives and the people that work for them. It harnesses their collective enterprise and ideas for innovation into a business model that delivers the corporate strategy.

The tactics for Investment Portfolio Management have a different challenge to contend with: the company's existing culture for investing in change. For example, many companies scrutinise and prioritise changes that involve IT investment much more carefully than those that don't. But non-IT changes also involve investment in terms of money, or time, energy and emotion and may be either executing or undermining the CEO's corporate strategy. Experience shows that starting to apply a single and consistent portfolio-management approach to all investments in change, whether they involve IT or not, can easily trigger an unhelpful response from the corporate culture.

With the CIO holding these two strategic tools for business model innovation in her hands, how can she and the CEO manoeuvre them out of IT and into the wider business? They may need to get the company and culture ready, starting with the executive team, to create a pull for the next moves before making them. Here are some options:

- Foster understanding amongst executives that developments like Web 2.0 bring new implications and opportunities for the company's business model;
- Characterise those implications and opportunities along the same lines as the "Beyond Web 2.0" venture capitalists: as a social and cultural movement more than a technology one; an evolution in the relationship between employee and employer, putting each of us at the centre of our own unique networks of collaborators and knowledge-sharers; and a shift towards throwaway investments in change;
- Discuss the impact of these developments on the distribution of accountabilities in the business model, knowing that this may be culturally uncomfortable;

- Explore what an Enterprise Architecture looks like that encourages personal enterprise, collaboration and accountability, achieves the corporate strategy, and protects everyone from harmful mistakes;
- Help the executives see how Investment Portfolio Management for all business changes - not just those investments involving IT - will deliver the value in the business model as efficiently as possible, especially in a difficult economic climate.

The business model innovations that CEOs are planning or are having thrust upon them by Web 2.0 (and beyond), these CEOs concerns about their organization's ability to manage those changes and the tight economic climate mean that the CIO's destiny beckons.

There is a pressing need for integrated leadership of business and technology change. With Enterprise Architecture, and Investment Portfolio Management, CIOs have the two strategic tools on which that leadership depends. The CIO's cultural challenge, is to explain that these tools are primarily about people and collaboration, not technology.



It's Time to Change Your Investment Culture

"IT is not the problem, just a symptom.
The actual problem is all about money and people- our internal investment culture,
the way we invest in business change whether or not it involves IT."

Graham to Ian, page 37

It's Time to Change Your Investment Culture

By Chris Potts



Commissioned by CIO.com, and published on 29th October 2008
As "How IT Leaders Can Help Their Companies Spend Money More Wisely"

Success in exploiting technology is rooted in a company's investment culture. The more mature this culture, the more value everyone will see from investing in change and IT. The opposite is also true. Executives that are unhappy, or unsure, about the value coming from the changes they are investing in need some cultural leadership. As the old IT strategy evolves into the corporate strategy for investing in change, up steps the CIO.

In response to longstanding concerns about the costs and value of IT, IT service delivery has matured. Supply-side IT culture is now much more mature than that of many of its customers. Ongoing innovations and improvements in the design and delivery of IT tools are often unmatched by the exploitation of those tools once delivered. As an illustration, Gartner recently noted about business intelligence technology: "after years of investment and implementation...no more than 20 percent of business users actually use BI proactively". In such instances, the delivery of IT has not been integral to a successful investment in business change.

Now it's time for CIOs and their executive colleagues to switch focus, from culture change in IT to the investment culture of the business as a whole. For companies that succeed at integrating IT with all business investment decisions, the benefits will extend beyond better IT decision-making.

Culturally, many companies still misunderstand deeply the linkages between spending money on IT and creating value by investing in change. Such misunderstandings reach all the way to the top. As the Financial Times astutely observed back in 2005, "Boards have clamped down on IT spending because of dissatisfaction about the results, as investments fail to deliver on their promise".

Now, as boards face up to today's economic challenges, there's every indication they are doing the same again. Yet the business changes that mean investments deliver on their promise happen outside of IT, and a clampdown on IT spending does not make those changes any more likely to happen.

Changing the Business Culture

A company's culture is powerful, deep-rooted and potentially ruthless. For those who challenge an incumbent culture, the battle scars are many, but the outcome can be worth it. There may be nothing more rewarding for a corporate strategist than seeing people release themselves from cultural constraints and achieve more of their true potential both as individuals and as a business.

Most CIOs have already taken one or more IT Departments through a culture change. They are equipped better than many for leading culture change in the wider company, but need to be aware of some differences. Culture change in IT has typically focused on service delivery and business operations, whereas the CIO's role is evolving into investment management and corporate strategy. It is also very different to lead culture change in your own department, and with like-minded external suppliers, than it is collaborating in an interdependent network of culture changes across the business as a whole.

It is essential that a CIO, leading a strategy about investing in change, co-ordinates her tactics with other executives. There's a high risk of unplanned conflict between them, and if it erupts, they will end up battling each other while the corporate culture watches, metaphorically, from the sidelines. Also, the executive-level culture may need to change first, and collaboration is one of the CIO's options for achieving this.

Thankfully, the CIO's strategy only needs to work on some dimensions of the corporate investment culture, not change the entire culture. So the CIO's first step is to pinpoint the specific cultural dimensions that the strategy needs to change or preserve. For example, what is the predominant focus of the company's innovations? What drives the current strategy for investing in change? How are investment initiatives targeted? How prominently does the exploitation of changes figure in the culture? I use a one-page diagnosis exercise with ten such questions and four possible answers to each one. After no more than an hour, we have a view of the investment culture that can be verified and then used to set tactics.

Where Companies Need Fixing

Having worked this through with many organizations, some patterns are apparent. It's common for a company to consider carefully the value of an investment (whether in IT or something else) at the beginning of the process, in a business case, then let the focus slip thereafter. Even companies with benefits realization in place at the end of the investment process often lose focus on value between investment approval and implementation. By the time changes are delivered, there's no guarantee that the original benefits can still be achieved, or even that the change is still worth making.

Another striking feature of many companies' cultures is the assumption, evident both in the investment portfolio and individual initiatives, that every change will deliver the value in its proposal. Yet a proportion of investments are bound to fail. This can be because assumptions in the proposal turn out to be flawed, the business context has changed, or it becomes clear that the company will not know how to exploit the changes once they have been made. In some companies, it can be taboo for a project

manager to report that a change is not going to deliver its expected value after all, and recommend stopping the investment.

At the moment it seems rare to find a company where the exploitation of change is center-stage. It is a support act at best, with the main focus on making changes happen on time, to scope and within budget. While many companies have benefits realization as the final stage in their investment process, especially when IT's involved, few have made the exploitation of change a systemic part of managing business-as-usual. Only when they do will they see the true value of the investments they are making, whether these involve IT or not.

The next level contribution of the CIO beckons. Having changed the culture in IT it's now time to develop the corporate culture to fully exploit the technology, and everything else, that the company invests in. It won't be easy. The existing culture will drive you to behave in a way that preserves the status quo, or even take you down. But with the right strategy you can change it for the better. And then you will be ready to move on and do it all again. Or something even more rewarding.
