

Tools for Leading Business Change

By Chris Potts

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 been 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 the entire 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.

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