IT Leadership in Uncertain Times

Global economic uncertainty, triggered by the burst credit bubble, has created volatile working conditions for today's CIOs. With input from some of Europe's top CIOs, this white paper provides an action list for surviving and thriving in these uncertain times.

Introduction

These are difficult times for CIOs. Organisations are expecting more for less from their IT investment. There is a major focus now on cost reduction, not just across the business but from within the IT function itself.

This was a major theme at the EuroCIO conference in Geneva, where many of Europe's most influential CIOs gathered to share experiences on how to lead their IT functions in these difficult times.

This white paper summarises the main points arising from the annual event and makes some recommendations on how CIOs can capitalise on the market downturn.

Key Actions

The following actions are derived from the key points made in the conference. The absence of a clear path out of the current tough economic conditions is causing many organisations to take a defensive cost-focussed survival approach.

It is the author's view that economic downturns are not the only time when one should focus on cost cutting. Similarly, gaining competitive advantage should not be reserved for economic good times. Smart organisations will use the current market conditions to capitalise on the defensive behaviour of their competitors by investing further in IT with a view to:

- Being able to operate profitably in these difficult circumstances
- Disrupting the existing business model to get a head start on their competitors when the market picks up.

> In essence, smart organisations will see the current market conditions as an opportunity.

1. Increase IT spend

Organisations, under considerable pressure to realign their costs with revenues, are often indiscriminately taking a scythe to their cost base. Thus the IT department is simply given a target to reduce their budget by X per cent.

Smart organisations recognise that the IT department is actually a key source of cost reduction when applied intelligently to the business processes and the associated decision making.

For that reason organisations are encouraged to increase their IT spend in order to make greater savings across the business as a whole.

2. Optimise the infrastructure

The IT department needs to take some of the pain associated with the cost cutting trend. The market conditions make this a very good time to revisit the IT architecture. The optimising of hardware assets through virtualisation will deliver savings. As will a focused review of existing systems. Some systems may be asset intensive yet delivering little business value. Such systems should be decommissioned or descaled.

In particular, aim for simplicity across the IT infrastructure. Complexity frequently results from multiple implementations of the same function: stock control, purchasing and so on. This in turn drives up IT operating costs and steals budget from innovation activities.

Simplicity, will also deliver consistency of approach to the organisation and so reduce training and operating costs for the entire organisation.

However, be aware that this year's innovation becomes next year's operating cost. Do not deploy new systems without retiring others. Further increases in operational expenditure are usually at the cost of further innovation.

3. Work in partnership with vendors

Tearing up contracts or bullying vendors as a mechanism for driving down costs is not the way forward. In fact, four years ago, EuroCIO formed a supplier relationship workgroup, which holds discussions with vendors to avoid such individual bullying tactics. Vendors need to have a sustainable business model in order to serve your needs in the future. Given that all parties are in the same boat, a more partner-focused approach will yield both short and long-term benefit. The goodwill created by this approach will deepen the relationship and most likely result in enhanced value delivery from the vendor.

4. Innovate to drive out costs

Innovation may sound like a luxury or idle pastime more appropriate to an economic boom. Similarly, innovation with its inherent risk is unattractive to risk-sensitive CFOs who now have very great influence over IT spending.

CIOs need to make the case that innovation has a role to play in delivering the cost savings across the business that the CFO demands.

5. Innovate to capitalise on the mega-trends

While the business agenda is focused on short-term outcomes, it is still important to keep one eye on the longer term. The current market conditions are certainly correctional and to some extent defining a new baseline for doing business. However, this is also causing business leaders to ignore broader trends such as talent management (future shortages and the arrival of Generation Y), working practices (decentralisation of the workforce, reduction on corporate travel) and the growing influence of the East.

CIOs are encouraged to present the board with innovative applications of IT that will position the organisation to capitalise on these trends.

6. Invest in IT skills and IT skills frameworks

IT people make up a significant fraction of IT costs. The lack of consistency in terms of role definitions across the industry is leading to inefficiencies in the flow of talent within the industry.

An investment in a framework that aligns in-house role specifications with those of the wider market will reduce the cost of talent acquisition. Investing in clearly defined career development paths will reduce the cost of talent retention.

CIOs are encouraged to explore the European Commission's e-Competence framework as it is synchronising the needs of both end user and supplier organisations. It has also taken input from EuroCIO's e-Skills workgroup.

7. Strengthen IT governance

Corporate governance is a major theme at board level. Given the role of IT in corporate governance it is clearly important that the governance of the IT function and its assets is both proper and transparent. EuroCIO has taken a proactive approach to IT Governance by enabling CIOs to test their in-house governance with a Governance Barometer.

Some may see this as an additional layer of 'red tape' on what is already a difficult function to manage. However, the exact opposite is the purpose of investing in better IT governance.

Once this is in place then CIOs can look at refining their processes using techniques such as Lean and Six Sigma. The outcome will be better IT services at lower cost. This is in keeping with the times.

8. Explore the Cloud

The Cloud is known to all those in a position of IT leadership, but is not fully understood from an opportunity and risk perspective. It clearly has some compelling characteristics such as 'software as a service'.

Whether we like it or not, users are driving demands today in certain niche areas. This is likely to grow. CIOs are encouraged to experiment today, and to scale up as lessons are learnt and as the need grows within the organisation.

> Forward thinking end-user organisations will also explore the Cloud as a service delivery channel.

9. Embrace opportunities that lie beyond the IT department

The role of the end-user IT department is uncertain. The management of technology is sliding down the value and supply chains. The trend is to let technology providers who enjoy greater economies of scale and, in some areas, greater technology expertise take on that aspect of the business.

So CIOs need to redefine the value that the IT function brings to the business. Embracing business process engineering is one option. Taking charge of business change is another. Some CIOs actively look to extend their remit to running divisions of the business in a CEO capacity as well as retaining the CIO role. These initiatives can all be considered as a hedge bet against the utility computing future that appears to be unfolding.

Emerging Themes from the EuroCIO Conference

There were a number of interesting themes emerging from each session at the conference. The most significant are listed below:

Value

- The CIO can only deliver value if he or she has the influence to make the boardroom and user community understand that they are the source of the business value that can be levered from the IT investment
- Smart CIOs will use the strategic business metrics (and not IT metrics) as a measure of value creation.

The Role of the CIO

- Those CIOs that thrive in the future will have the role of Chief Innovation Officer
- CIOs need to broaden their skills
- Press vendors to be more competitive.

Collaboration

- There is a real business need to enable people to collaborate
- Collaboration enables the organisation to be more agile
- Business processes that would benefit from collaboration must be identified
- Collaboration has the potential to deliver greater process efficiency
- Rather than thinking in terms of web conferencing, think of video strategy and video architecture.

A presentation delivered by a leading European CIO provided further insights into the use of collaboration in the organisation.

Specifically, the CIO alluded to collaboration in terms of evolution, as follows:

- Old intranet – Chaotic and no collaboration features
- 1.0 – Arrival of standards and focus on editorial content
- 2.0 – Arrival of collaborative tools, eg. enterprise search, discussion forums
- 3.0 – Focus on business processes and associated applications, eg. blogs, wikis
- 4.0 – Arrival of seamless collaboration with synchronous and asynchronous tools.

The CIO also acknowledged that the workplace now has three generations of workers, namely Baby Boomers, Generation X and Generation Y. Each of these generations will have their strengths and weaknesses and expectations in terms of the level of collaborative tools they expect to have access to in the workplace.

> Importantly, this evolution is employee-driven. Whether organisations like it or not, staff are using social networking tools for both work and business purposes.

Outsourcing

- Change management and governance are key
- Focus on flexibility and innovation rather than cost reduction.

IT Governance

- There is an issue that IT governance is seen as red tape
- There is a trend in IT functions away from managing technology to being the provider of IT governance
- Sell the link between IT governance and financial performance.

Talent Management

- IT people increasingly need both IT and business skills
- Encourage key users to move across into the IT function
- The so-called Digital Natives will enter management level and their corporate IT expectations will be high
- Given that the workplace will be made up of baby boomers, Generation X and Generation Y staff, organisations need to exploit their strengths, recognise their weaknesses and provide an environment that is appealing to each group.

Cloud Computing

- The Cloud will create a new economy where everybody is both supplier and consumer
- This is key to the future. Everyone is encouraged to experiment now and scale up as lessons are learnt
- There is a need to have tools to measure service levels
- Service levels should be incorporated into cloud-based relationships.

Economic Downturn

- For the IT department the economic downturn represents a short-term challenge, whereas green issues represent a longer-term challenge. However, both are important
- Improve invoice management
- Improve supply chain management
- Look to automate the customer, i.e. customer self-service
- CIOs can use the supplier's cash to improve cash flow.

Sustainable Development

- As previously mentioned, green IT issues appear to be less urgent given the economic conditions. However, addressing green IT issues now can lead to short term benefits in respect of budgetary savings
- Virtualise to maximise the return on the hardware investment
- Use video conferencing technologies to reduce travel budget
- While the IT function needs to address green issues, the focus needs to be on using IT to help the business be greener, e.g. videoconferencing
- IT spend and energy consumption need to come from the same budget.

Conclusion

EuroCIO provided a unique opportunity to hear the aggregated views of so many influential IT leaders. The economic circumstances have in many cases caused the business leadership to adopt herd-like behaviour and simply demand that the IT function cuts its budget.

Such edicts from the boardroom can have a paralysing effect on CIOs who are already faced with enough challenges without having to address them with a lowered budget.

This white paper provides both an overview of the perspectives of CIOs, vendors and those influencing the industry. Most importantly, it provides a way forward that will position the CIO as forward thinking and agile. The suggested actions are designed to deliver both short and long term benefit.

The board will appreciate the former today and the latter when the economic dust has settled.

About EuroCIO

EuroCIO is a CIO membership organisation that targets the top 500 European end user organisations. This white paper provides an overview of the main themes emerging from its eighth annual conference held at the InterContinental Hotel in Geneva in November 2008. http://www.eurocio.org

About Cisco

Cisco enables people to make powerful connections, whether in business, education, philanthropy, or creativity. Cisco hardware, software, and service offerings are used to create the Internet solutions that make networks possible, providing easy access to information anywhere, at any time. Since the company's inception in 1984, Cisco engineers have been leaders in the development of Internet Protocol (IP)-based networking technologies. Today, with more than 65,225 employees worldwide, this tradition of innovation continues with industry-leading products and solutions in the company's core development areas of routing and switching, as well as in advanced technologies. http://www.cisco.com

About the Author

Ade McCormack is an author, market commentator and IT value advisor. His career extends from 'bits from boardroom', starting out as a real-time software engineer prior to spending seven years at Logica. His focus today is on helping organisations maximise the value they yield from their IT investment. He is the author of the acclaimed books, 'IT Demystified - The IT handbook for business professionals' and 'The IT Value Stack - A boardroom guide to IT Leadership'. Ade also has a column in the Financial Times advising business leaders on IT issues. According to ex Harvard Business Review editor, Nick Carr, "Ade McCormack sounds a much-needed clarion call for IT to 'grow up' and become a mature business function." http://www.auridian.com