



June 15, 2003

6 Habits of Highly Effective CIOs; For top CIOs, alignment is not a goal. It's a way of life. A list of tactics that you should adopt as your own.

BYLINE: Todd Datz

The economic and budget pressures you face make now the time to renew your commitment to solidifying relationships with your fellow business executives. Now is the time to make sure your IS governance is effective. CIOs must work with line of business managers to get benefits out of existing IT investments, to set performance targets, to answer the pressure to save money and wring efficiencies out of operations. Six habits that highly effective CIOs employ to cope with the pressure-cooker arena in which they play are presented and discussed. They are: 1. Commit to the care and feeding of top management. 2. Govern wisely. 3. Assign direct reports to be business unit ambassadors. 4. Join hands with business leaders at every opportunity. 5. Advertise your technology strategy. 6. Make IT user-friendly for everyone.

Jim Milde, senior vice president and CIO for Sony Electronics, sounds euphemistic when he summarizes how the fortunes of IS have changed in recent years. "I think historically, when a company is growing like crazy, the role of IS is just try to keep up. We're going through a period now where there's much more focus on cost structure and process. We're at a point where we believe there's a huge opportunity to drive continued operating efficiencies through our business." Translation> Growth and innovation have taken a backseat to relentless cost-cutting and short-term payback. That means the temperature has been ratcheted up on CIOs. For those who can't take the heat, the powers that be will make sure the kitchen exits are well-marked.

Time to throw in the towel and retreat into the IS cocoon? No way. Instead, the economic and budget pressures you face make now the time to renew your commitment to solidifying relationships with your fellow business executives. Now is the time to make sure your IS governance is effective. Now is the time to trumpet IT initiatives to the rest of the company. And last, but far from least, now is the time to put all your available energies into aligning your staff and projects and budgets and strategy with the lines of business.

Sure, alignment is one of those topics that never seems to go away. But "old hat" doesn't mean "stuff that hat in the closet and forget about it." In The Conference Board's 2002 survey of global CEOs, 50 percent of the respondents identified business and IT alignment as a high priority. (By contrast, only 20 percent said implementing new technologies was top of list.)

Alignment is not new, but it's certainly not a given either. "It's still more common than not that IT and the business are not aligned, and that CIOs don't have quality relationships with people that matter in the business," says Michael Earl, professor of information management at the London Business School. CIOs must work with line of business managers to get benefits out

of existing IT investments, to set performance targets, to answer the pressure to save money and wring efficiencies out of operations, he adds.

Below are six habits that highly effective CIOs employ to cope with the pressure-cooker arena in which they play. Some may be familiar; others may be additions to your portfolio. All of them will help you position yourself and the IS function to succeed now and in the uncertain months ahead.

Habit Number 1 Commit to the care and feeding of top management.

That doesn't necessarily mean trying to get in on the CEO's biannual white-water rafting excursion. But you've a better chance of earning a paddle if you're on the top leadership team in the company. In a recent Gartner survey of CIOs, maintaining superb relationships with the senior-level team ranked first on the management agenda. "Actively engaging the business unit head and leadership team ensures you're involved in day-to-day decisions. I think CIOs realize if you're not sitting there at the executive table, you won't be able to make a difference," says Ellen Kitzis, Gartner group vice president of executive programs for the Americas. She argues, in fact, that if CIOs aren't at the table, "then alignment doesn't make a difference."

Some CIOs with a seat at the table consider themselves business leaders first, technology leaders second. That paves the way for tight partnering; a business-first CIO discourages "the IT guy" label. Eugene Stein, chief knowledge officer and global head of technology at New York City-based White & Case, a global law firm, says, "I'm part of the business side. I participate in the day-to-day business operations for everything, not just technology." In fact, White & Case created the position for Stein because technology is a key part of the practice, he says.

It doesn't hurt that Stein, who began his career in IT as an entry-level programmer, is also a lawyer. Stein put his two-headed background to good use by recently improving one of the firm's knowledge management and CRM systems. After lawyers complained about the way they had to enter their timesheets, he and his staff redesigned the entry field and added an extra field where lawyers could type in what was worth knowing about the time they spent working on a project. They also can enter who the client contact was and what they discussed. Because of the information they're capturing, "We're now able to find key contacts, generate new business and provide better service to clients," Stein says.

Harvey Schafle, vice president of IT at DDS Distribution Systems, a third-party logistics and fulfillment house, also tips toward the business side. "I feel I'm more of a client service and production advocate than an IT advocate," he says. That means Schafle makes every effort to view IT from the users' perspective and to make sure his department understands their needs. "There's a tendency for IT people to do the most interesting thing, not necessarily the best thing," he explains.

Stein reports to the head of his firm, and Schafle reports to his CEO and sits on DDS's four-person corporate leadership team. Regardless of where you sit, building credibility and trust with line of business heads is critical. After Milde joined Sony Electronics last year, he spent the first few months soliciting feedback from the business units and external customers. What was IS doing and not doing well? Making that effort helped him build trust with his peers; it also gave business leaders a greater understanding of the IS agenda. And Milde? He also serves on Sony Electronics' senior management committee.

Habit Number 2 Govern wisely.

Having a strong IT decision-making structure in place can force businesspeople to think of IT's role in the overall enterprise (not just division by division). It can also better align IT strategy with corporate strategy--making sure that they are one and the same. Ideally, senior management is part of that structure.

At financial holding company National City, Executive Vice President and CIO Jim Hughes runs the strategic priorities committee, which includes the company's chairman, two vice chairmen and the heads of each line of business. The committee meets monthly and reviews all upcoming and existing IT initiatives. Hughes says he was brought in as change agent five years ago to redefine how IS worked and to overcome "a lack of confidence in the IS organization to deliver." One of the ways he did so was by redesigning the committee to include its current makeup. By working closely with the business, Hughes says, "there's been much tighter alignment, and we're much more strategic in the way we think about, plan and execute projects."

Successful governance doesn't require an IT supergroup. Divisional IT steering committees, made up of senior leaders in each division, are common in decentralized companies. At drug maker Schering-Plough, divisional information officers (DIOs) meet regularly with their business counterparts in the company's four divisions (animal/health, international, manufacturing, and sales and marketing). "The DIOs' mission is to tightly align the IT with the business," says Donald Lemma, vice president and CIO of the Kenilworth, N.J.-based company.

Governance is top of mind among CIOs these days, Kitzis says. And with good reason. "If I look at alignment, good governance and involvement with the leadership team, the last two are absolutely required elements. Alignment is necessary but not a sufficient condition for success," Kitzis says. (For more on IT responsibilities, see "Better Governance" at www.cio.com/printlinks.)

Habit Number 3 Assign direct reports to be business unit ambassadors.

How can you truly understand the needs of a business--and manage user expectations--if you don't have an IS point person wound as tightly into that business as a Greg Maddux curve ball? Call them relationship managers or IS business partners. They're your lifeline to the business functions. In many companies, they may report directly to the CIO but have a dotted-line (and sometime direct-line) relationship to the head of a business.

At Capital One Financial, each divisional CIO for the major lines of business has a BIO--business information officer--who works with a business and operations leader at each line of business. "Any one of the three could sit there in a [senior] management meeting," says **Gregor Bailar**, executive vice president and CIO, which is a statement exemplifying the confidence Capital One has in its BIOs. "They need to have two hats. One is being a relentless champion of their business area, understanding that business's needs. At the same time, they have to see how that impacts technology."

BIOs are often tasked with prioritizing IT projects for their divisions and working with their business counterparts to allocate spending and create delivery time lines for projects, Bailar says. The goal: seamless alignment.

Sony's Milde pursues alignment through his business account managers. "They're sort of like mini-CIOs," he says. Those managers must have a passionate understanding of their business; what he's not seeking are VoIP or database experts. It's a process he put in place last year, and he's assigned a person to run that area.

IT business partner is the moniker for the aligners at Avaya. And in a slight twist, Vice President and CIO Mike Crowley is looking beyond IS at the network equipment maker to find talent for his current crop of seven business partners, and he tries to attract MBAs. "We'd like to infuse [our group of partners with] more people from the business," he says. After all, an MBA can be passionate about technology too.

Habit Number 4 Join hands with business leaders at every opportunity.

If IS leaders aren't working side by side with business leaders to develop project lists and budgets, then your alignment is only skin-deep.

Capital One has a formal process for prioritizing and developing projects from the inception stage to the approved stage. Projects come from two directions: the top of the house (senior management) and the business units. Bailar calls the strategic imperatives from senior management "raising the octane"--in other words, they push the bar up for each business. Those projects are funded first. At the same time, money is allocated to the lines of business for the rest of the technology budget.

Capital One's business information officers work with their business counterparts to decide which projects are funded, schedule delivery time lines and so on. Bailar and the BIOs get together every month to do a resource management review, at which time they check in on the status (including resourcing and performance updates) of bigger projects. Taken together, Bailar says, the review and prioritization processes for projects are meant to align with the business imperatives of the company.

The DIOs at Schering-Plough meet with business heads to develop and prioritize projects. Then Lemma and his senior IT management team do what he calls a smoothing process, deciding which projects are accelerated, which are pushed back. The goal is to arrive at the projects with the biggest business impact using the most efficient amount of resources.

However formal your prioritization and budget process may be, don't forget to make sure the business has a real understanding of IT costs. "Transparency is critical," says Mike Ashworth, CIO and managing director of J.P. Morgan Investment Bank. "Historically, at a lot of tech organizations the financials are very opaque; people couldn't tell what was going on." He says that by breaking out spending for existing operations and for investments in new initiatives, "people start to understand what the levers are for making decisions."

Habit Number 5 Advertise your technology strategy.

Now that you have a good prioritization process, how about taking it for a stroll down Madison Avenue? In addition to letting the lines of business know what IT is up to, you can also spread it to the masses.

Mike Clifford, vice president and CIO for Whole Foods Market, publishes a strategic plan twice a year that takes a three-year look at the company's business opportunities while matching its IS capabilities to those opportunities. His employees generate the content by doing "mind dumps" of what IT projects they believe are needed in the functional areas to which they're assigned. Then they review those plans with their business counterparts, who act as the editors. Everything's about sequencing, Clifford says. "The great idea in marketing may conflict with the great idea in purchasing, and we probably can't afford to do them at the same time. It does generate some internal battles in which my staff is lobbying for their highest sequence item against other groups, so that makes it interesting."

Clifford's team then puts the information into a magazine format. "We write it in a chatty way, using great boxes that we sprinkle throughout the document," he says.

The IS group at J.P. Morgan publishes handbooks that Ashworth calls architectural road maps. Each sub-business--about 10 in the investment bank--publishes one. They're created in conjunction with the operations and business groups in each unit. "They're living, breathing checkpoints," he says. "They tell people where we are today and where we're going in terms of application architecture in six-month chunks." He adds that his group tries to ensure projects don't run beyond six months without delivering payback.

Opportunities appear when you put all these business product and process pieces in one place, Ashworth says. "You see interesting issues between geographies--for example, the securities business in Europe might be more efficient than in North America--and if there's

technology differences, we can do something. We also map the operation costs. That helps us understand what we should go after," he says.

Habit Number 6 Make IT user-friendly. For everyone.

This tactic may not explode with the force of strong relations with senior management, but it certainly qualifies as an effective weapon. DDS's Schafle refers to it as "technical alignment"--making it easier for business customers to use IT tools.

Schafle cites Web-based reporting as an example. In the past, the tools used to extract data to create reports, such as OLAP-type spreadsheets, were controlled by IS. Schafle made it easier for his customers by developing DDSreports.com, a tool that allows them to extract data from a repository and build their own reports in the manner that suits them. "It's their data," he says. "Our job is to protect it. That tends to align you... It builds rapport with customer service reps, call center reps and account managers. [They won't have to] fear coming to IS to get information." The tool is now available to external clients.

"Selfishly it benefits IS as well," he adds. "If someone is adept at using an OLAP tool, why should I restrict them from using that kind of capability?" That kind of thinking goes a long way toward peace on earth and goodwill toward IS.

Nobody said being a CIO was easy, especially when attempting to gratify insatiable users with smaller and smaller slices of the IT pie. But by continually renewing and refreshing your relationships with the business side of the house, you can ensure that nobody goes hungry--or if they do, at least they understand why.

Reach Senior Editor Todd Datz at tdatz@cio.com.

Copyright 2003 Bell & Howell Information and Learning
ABI/INFORM
Copyright 2003