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# Innovation For Growth

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You can't win standing still. Our 100 honored companies prove that creative investment in IT is key to marketplace success.

After years of asking IT to focus laser-like on cutting costs, reducing operating expenses and (for a change) cutting some more costs, the enterprise has finally embraced the idea that IT should be driving innovation. Experimentation has been sanctioned at the highest levels. To grow, companies are now willing to assume a measure of risk, and CIOs are thinking not merely about how technology can help their companies survive (while, heaven forbid, not adding overhead) but they are working to gain competitive advantage by actually doing something new.

That's the message we've received from the diverse group of organizations that compose the 2006 CIO 100. Whether they were at a small nonprofit like MediSend International (which used supply chain management technology to reinvent its business model for distributing humanitarian aid) or a $20 billion behemoth like Goodyear (which used supercomputers to model new tires), CIOs this year creatively used IT to advance their companies' strategic goals. And these companies did not simply deploy the latest technology. What sets our honorees apart is how they used IT in new ways to generate business value, whether by creating new products and services, developing better ways to serve customers or tackling operational challenges.

Two-thirds of the CIOs among this year's honorees report that their IT budgets are bigger than they were two years ago, according to our annual CIO 100 survey. (For all the survey data, go to www.cio.com/cio100.) On average, the honorees are spending 38 percent of their budgets on new projects, and more than three-fourths said their companies were willing to assume at least a little bit of risk in the process.

## It Takes IT to Make Money

Since time immemorial (or at least since the dotcom bubble burst), IT departments continually have been challenged to demonstrate the value of technology investments. For years, CIOs found that value in IT's ability to cut costs. Now, as Senior Editor Stephanie Overby writes in "Money (That's What They Want)," Page 50, smart CIOs are dedicating a portion of their IT portfolios to projects that make money. For instance, credit card purveyor Discover Financial Services is integrating its payment network with that of China UnionPay, China's only credit card provider, thereby giving Discover cards a competitive advantage in China over its larger American rivals, Visa, MasterCard and American Express. The result is that Discover's card is now more widely accepted in China than its competitors'.

Even nonprofits have gotten into the act. Ball State University deployed a wireless network for its campus and the surrounding neighborhood and then turned it into a profit center by marketing it as a test bed to telecom companies and government agencies. The university has inked agreements with wireless technology vendors and the federal government worth up to $1 million annually.

Making money demands a different mind-set than cost cutting, and a different set of business processes. Instead of thinking of ways to do the same thing in a better (faster, less expensive) way, CIOs who intend to make money are assigning their most creative staffers to get inside external customers' heads to learn what products and services they want.

It stands to reason then that, according to our survey, the three most important ingredients for an innovative business culture are leadership, creative people, and good business-IT alignment. In "Imagination at Work," Page 65, Senior Writer Meridith Levinson describes five projects that succeeded because technology and business leaders made it easy for talented employees to pursue ideas that, though unconventional, held potential for a big payoff.

**SOA Governance**

IT-enabled innovation requires a flexible infrastructure, one that many honorees are achieving through their deployment of a service-oriented architecture (SOA). According to the CIO 100 survey, 56 percent of honoree companies said they plan to implement or leverage Web services during the next year.

Galen Gruman writes in "Services In Sync," Page 74, that establishing policies for the development of business services is essential to achieving SOA's promise of increased agility and better business processes.

A good SOA governance process includes policies for making decisions about which services to develop, how they will be tracked (so developers can reuse them) and how data will be shared by users. For example, honoree ING Group established an architecture team to determine which business processes is the best candidates for services, using the guiding principle that these processes be common across the company.

Another honoree, Hygeia, uses wikis to track its services. The wiki technology, which allows multiple users to edit content on a website, is a simple solution that works for the company's 14-member IT department and small number of services. Hygeia CIO Rod Hamilton says, however, that he'll need to build a repository to catalog services as the number of them grows.

**Dealing with Disruption**

Although many discussions of innovation focus on the creation of new commercial opportunities, this year's CIO 100 honorees demonstrate that it also depends upon connecting the top line with the back office. Eighty-five percent of CIOs reported efficiency and productivity were the top business goals for their winning projects.

To that end, more than a third of this year's honorees have developed pioneering wireless applications to deliver new tools to workers and managers. As Senior Writer Thomas Wailgum writes in "Untethered (But Not Disconnected)," Page 80, wireless devices introduce innovative ways of working, but these are disruptive even when welcome. And they often aren't. Our honorees have learned that managing change requires careful planning, beginning when new tools and work processes are just a glimmer in a developer's eye.

At Capital One Financial, employees struggled with the company's bureaucracy. It sometimes took two weeks to schedule even a short meeting. Nevertheless, not everyone was convinced that a radical revamp of the company's office space, tearing down cubicles and deploying wireless networks, was the answer. But CIO **Gregor Bailar** was, and he sold the concept in part by moving out of his own office to a table in full view of his staff, and handing out wireless cards to anyone who wanted to give the new technology a try.

There are even more ideas for generating value through innovation in this issue's Trendlines section (beginning on Page 23) and from our columnists. Find out how Case Western Reserve University helped wire Cleveland with fiber-optic broadband services (Page 23), and read a review of a new book on bringing innovations to market (Page 29). On Page 36, Total Leadership columnist Mike Hugos, former CIO with honoree Network Services, writes about how he developed the mind-set for making money with IT. And on Page 40, Michael Schrage advises CIOs to let what end users perceive to be their IT departments' most innovative accomplishments guide future development.

The 2006 CIO 100 know that innovation is not an end in itself, but that creative ideas, harnessed to business needs, are the key to their corporate future.

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