

Four Traits of Mature IT

Are you 40 yet?

By Marek Jakubik

The sky has fallen! Consider these recent findings compiled from cio-asia.com:

Their budgets are cut, work is outsourced, staff is downsized, and they're pushed off the executive team...between 2002 and 2003 their compensation decreased by 13 percent...the number reporting to CFOs doubled...their influence vanished...

Who are these pathetic losers? Who else? The people who's CAREER IS OVER! The beleaguered CIOs take it on the chin again.

Oh, how we love a good drama. But, dramatics aside, have IT and its captains really moved so far backward? No. Quite the opposite.

Over the past several months I have spoken with more than 30 CIOs from the insurance industry. I could not discern any atmosphere of doom and gloom; on the contrary, those CIOs showed confidence, maturity, and a strong sense of belonging to their organizations.

True, their overall focus has changed from seeking opportunities to managing risks and reducing costs. That is simply a reflection of the current business priorities dictated by the economic climate and overinvestment in innovation.

Strong Roles

Yet despite the tough economic times, the low levels of investment capital, and new risks related to heightened financial, legal, and external security exposures, the role of CIOs and their IT units remains strong. Most CIOs have managed not just to survive (at least on par with the rest of the executive echelons), but to solidify their agendas, as well.

This is not to say all or even most IT organizations have finished maturing. While some have made significant progress, many still have a way to travel.

For this reason, I offer up a synthesized result of my observations and discussions to help companies along that road: The IT Maturity Test.

The test is based on the premise a fully mature insurance IT organization (A.D. 2004) must attain four specific high-level goals:

1. Integrated strategy
2. Influence parity
3. Joint processes
4. Excellence in delivery

Self-Assessment

I'd like to invite you to take an active part as I elaborate on these four goals. After reading each section, do an informal self-assessment by rating yourself: from 1 (have none) to 10 (have it all).

1. Integrated strategy: IT is "a chapter" in corporate strategy

IT strategy cannot exist as a stand-alone entity. A good IT strategy has to recognize two distinct dimensions: technology infrastructure and technology solutions. It is especially the latter that has to be woven into the fabric of the corporate strategy rather than exist on its own.

The CIO as a strategist has a dual role.

First, be a prudent IT/business manager with a proven ability to drive down the cost per unit of infrastructure and other established parts of technology operations. Second, be a partner (more on that below) who builds and manages strategic plans jointly with the business.

Rate your IT organization's integration with corporate strategy. What's your first score?

2. Influence parity: IT on equal footing with the business

It's a truism IT has to behave and act like a service-oriented organization. However, a frequently lurking hazard in some organizations is "service-oriented" morphs into "subservient." That is a major mistake. An organization's culture must assure IT never be in a meek and unassertive position vis-à-vis the departments it serves. Many business units still fail to recognize (or perhaps IT people fail to explain to them) managing IT is a complex undertaking and, as such, should be left to the pros.

We have learned not to interfere with other professionals: doctors, architects, or car mechanics. Yes,

we want them to be service-oriented, but in the final analysis, we reward them for their professional prowess. Which surgeon would you pick: a nice, smiling, jovial fellow whose hands are a bit shaky or a grumpy, tad arrogant “old pro” with a steady hand and an unflappable attitude?

It all starts with the CIO. Wherever on the organizational chart he or she belongs, the key to achieving IT parity is the CIO’s ability to do two things: influence and challenge. Much of that ability is purely personal. CIOs who demonstrate sustained passion, intellect, and courage combined with integrity and authenticity will succeed regardless of their organizational chart placement.

To understand the true influence of CIOs, one has to look well beyond who reports to whom. What do you make of the 2002 CIO magazine survey that showed CIOs who report to COOs make more than those who report to CFOs and even more than those who report to CEOs? (I bet you all these counterintuitive statistics have to do with the size of the organizations surveyed, i.e., bigger organizations have more organizational layers. Goes to show how easily statistics can be used to mislead!)

However, when it comes to placement in the corporate hierarchy, the deciding factor is the CEO. CEOs who are comfortable with IT gladly will see CIOs on their team; those who are not will keep the CIOs at arm’s length by delegating responsibility.

On a scale of 1 to 10: How much parity does your department have?

3. Joint processes: planning and managing together

Maintaining strong partnerships is always challenging—especially when divorce is not an option. It requires a resilient culture, well-thought-out processes, a well-managed incentive system, and above all, strong people skills.

The cultural element must start at the executive level. Only then can it permeate to all levels of an organization. One of the natural starting points involves certain strategic-level technology decisions that should be made only as a joint conclusion between the CIO and the Executive/CEO. Here is a basic set that should undergo at least an annual scrutiny:

- How much to spend on IT?
- Who gets how much of IT’s dollars?
- What plans should get implemented companywide?

- What’s an acceptable risk (how good must IT be)?

Surprisingly, very few organizations engage in the kind of dialogue that leads to answering such questions. Yet the answers shape the foundation of effective management of IT as a corporate resource. And no one, other than the executive, has the sufficient perspective to provide them.

At the tactical and operational levels, IT has to find every opportunity to partner with the business on every change initiative. Most importantly, IT management must recognize the technological element of change always disturbs the many people it affects. Hence, a diligent and concerted effort must be applied to heed, explain, and minimize those effects.

The most important element, however, has to do with having the right people. No IT organization has a chance of “partnering” with its business clients if its people are seriously short on either business knowledge or business acumen.

In the end, IT has to find a way to live with the business through good times and bad times. They should jointly feel and celebrate the results of success and live the pain of failure together.

Are you keeping score?

4. Excellence in delivery

To establish excellence in delivery, IT has to perform well in four broad areas:

- Project management
- Resource allocation
- Effective innovation
- Efficient operations

Project management should be treated as a linchpin for all IT processes. Its implementation specifics inevitably will vary. They will depend on the company size, its structure, and the corporate culture, but regardless of the details, project management has to support a central formula: Deliver as promised. That statement should be a guiding principle for IT culture and internal processes.

Disciplined resource allocation comes next. The worst mistake IT management can make is to allow its resources to be viewed as an “all you can eat” buffet. From the strategic-level decisions of “who gets how much” all the way to directing individual programming resources, hard decisions have to be made and upheld. In this context, saying no to avoid overstretching is a virtue, not a sin.

Business growth and improvements come from innovation. However, new ideas have to come from people who have an in-depth understanding of the business. That means people who run the business, not IT. The best models rely on business people who generate new ideas and then challenge IT to find the best practical answers. The CIO’s target is that IT is treated as a trusted adviser whose absence in any serious discussion is simply unthinkable.

Finally, the world of IT operations. “Keeping the lights on” is a critical element of IT service. It also is the element furthest removed from strategy. Hence, my advice to CIOs is straightforward: To maintain focus and sanity, separate and delegate. Hire the best CITO (Chief of IT Operations) your company can afford, put good measures in place, and (virtually) walk away. Do not try to be a hero.

Proper measures of operational efficiencies must incorporate a minimum of three dimensions: service levels, costs, and competitive targets. For example: 99.9 percent e-mail availability at less than \$10 per month per user. Anything less than that, and before you know it, the business goes to the external supplier. Conversely, if you cannot deliver such service, you’ll be well advised to call that supplier yourself.

How did you score on IT’s ability to deliver?

By the way, and this may surprise you, a poor delivery record is not the prime factor of CIO demise. Studies show less than 15 percent of CIO departures are linked to “nondelivery.” More important reasons are nonproductive relationships with the business management team, lack of contribution to company strategy, and being an ineffective change agent.

Time to Summarize

If you kept score, it is time to summarize. What’s your total? Are you a 40, or do you have some maturing to do?

Marek Jakubik, a former CIO of Zurich Financial Services and Pitney Bowes, is a co-founder and CEO of the Insurance Technology Group (www.insurancetg.com). He can be reached at marek.jakubik@insurancetg.com or by phone at 416-214-3445.

The CIO Chronicles is a recurring column published every two months in Technology Decisions magazine, a publication of the National Underwriter Company.