

If I were a CEO ...

By Marek Jakubik

We all readily would agree a large portion of business executives' expectations of IT depends on creating an environment in which there is a genuine, two-way debate of the IT issues. The reality, though, is in many organizations such dialogue is sporadic and at best limited to allowing the IT folks to be present at the business strategy discussion. Rarely does the business side give any special focus to the IT issues themselves.

Further impediments arise from what survey after survey, study after study confirm: A number of sizeable incompatibilities exist between CEOs and CIOs. They do not communicate well, and they often don't share the same cultural and psychological traits. Are CEOs from Mars and CIOs from Neptune? I think quite frequently they are.

Today, instead of once again directing a long litany of dos and don'ts onto the CIOs, let's change the venue. For a change, I'm going to travel to a territory occupied by the Martians. In other words, I'm going to dish out some advice upstairs.

As in most complex situations, the blame for the relationship gap between business and IT leaders lies on both sides. However, my focus here will be on the following question: What can CEOs and other senior business executives do to reduce the gap between themselves and IT?

With IT having a crucial role as a strategic and operational asset, it follows CEOs and CIOs need to synchronize their efforts to get the best results from IT investments. But even among the best companies, there is clear need for further attention to be given to IT and especially its strategic role.

Why CEOs Abdicate

Too much work, fear of the unknown, and difficulties in communicating with IT folks usually stand as top reasons senior managers abdicate. All of these reasons are valid. Here is a simple guide for how to begin to conquer such natural barriers.

I will propose a few practical steps any company

could and should take to improve the effectiveness of the IT function. The formula centers on the three key goals:

- align and engage IT strategically
- insist on business-IT collaboration
- clarify and enforce accountabilities (especially around major projects).

The first of the three bullets is where most companies consistently miss an opportunity to establish a fundamental level of dialogue concerning IT strategic issues.

Aligning IT Strategically

I use this phrase with some trepidation, as it is overused, misused, and only sparingly explained. Part of the issue stems from the ambiguity and rich set of semantics associated with the word aligning. To some it may mean organizational changes, to others cultural transformations. Yet strategic alignment is indeed a necessary starting point of effective management. In this article, strategic alignment means a set of high-level and pragmatic parameters and directions that help the CIO to map IT's strategic plan.

A McKinsey survey in 2002 of 70 CEOs asked how often their expectations of their CIOs were being met. In all top six expectation categories, the CEOs rating was below 50 percent. The same CEOs admitted, however, their approach to management of IT emphasized operational checks and balances rather than strategic use of IT to create value for the business. Let's talk about how to deliver some balance at the corporate level.

The CEO Checklist

CEOs (and their teams) must learn to make the following three IT strategy decisions: Number one, how much of the company's revenue should be spent on IT? Most firms argue about their level of spending on IT only haphazardly, and discussion usually is driven by a popular negative sentiment: "Too much." Few companies have a process to

answer that important question rationally. Even fewer make such a truly strategic decision jointly and upfront, for example, as part of a strategic planning process.

It is all the more surprising, since this is one of the key strategic choices for any company. Furthermore, it fits perfectly into the flow of a business strategy planning logic. First, business must determine the strategic role IT will play and then decide on the appropriate level of funding. A well-prepared discussion of this topic should naturally lead to many interesting and valuable points. How do we compare with our competitors? Why do we observe differences? Can we competitively attack/defend by adjusting technology spending?

Next Question

Once the organization decides on the size of the pie, its second strategic IT decision must answer: Which business area gets how much? Failure to answer this is, in my experience, the most frequent and serious cause of “IT misalignment.”

Scarce IT assets and capital get misdirected and spread too thinly to be effective. That, in turn, leads to over inflated expectations, overwhelmed IT, and an overburdened organization that tries to absorb too many initiatives at once. Yet, in the majority of businesses, this decision is left mostly to the CIO’s discretion and subjected to the non-strategic rules and constraints of the annual budgeting process.

The third strategic IT decision every smart organization needs to make involves: What’s horizontal, and what’s vertical? In other words, which IT capabilities should be delivered companywide as opposed to those that need to be specialized?

Business-IT Collaboration

It is quite obvious judicious conclusions that address strategic IT issues can be reached only through a process that engages the entire executive team. Formal process creates a perfect setting to involve and educate the executive team on the trade-offs, risks, and

opportunities related to choices of the evolving technology standards and solutions. It is a forum where the executive team has to debate the trade-offs between lower costs vs. higher flexibility. It also creates a time and place to make decisions about the infrastructure investments.

Investing in IT infrastructure is notoriously difficult to justify, especially using the traditional ROI approaches. The issue is no different than in other economic areas. What’s the economic value of not having potholes on the roads? Or what’s the value of having a reliable telephone and electricity service to a hotel? The decisions often cannot be made unless supported by a large dose of gut-level, experience-based intuition. Such decisions should not ever be argued by a CIO alone, as they always relate to companywide investments; ergo, companywide implications, whether positive or negative.

There are some additional bonuses of engaging the executive team in IT-centric strategic planning. One is a natural process of educating business executives, which, in turn, will remove some of the natural fear and anxiety with respect to addressing the IT topics. Another is providing more relevant, strategic-level linkages between business and IT issues.

Partnerships—Yes, But . . .

A process of strategic alignment of IT produced through a joint effort creates solid ground for business and IT to work together. That gives a CEO an opportunity to keep the pressure on business and IT leaders to extend their collaboration to the operational areas. An example could be a rule that no major IT recommendation or decision should be ever made by either business or IT alone. At the same time, caution must be exercised so “compulsory collaboration” does not lead to a dilution of accountability.

Whenever people share responsibility, the natural inclination to distance oneself from the bad news or difficult situation is reinforced. That is a danger provoked by the

collegial management style. The prime examples are found in the arena of managing delivery of large IT projects. How often do we see IT left holding the bag not only for the project delivery time and the cost involved, but also for the benefits (or, as it happens, lack of), which almost always is unreasonable and unfair. I discussed this issue at length in a previous column (see “The Trouble With ROI,” March 2004).

CIOs: Listen Up

Of course, it would be a gross fallacy to suggest large gaps between IT and business executives exist in every company and every CEO has a need to institute more effective IT management processes. Many carriers have mature and astute CEOs and CIOs. Some CEOs go on record saying their CIOs are their most trusted go-to people for all their technology decisions. You can recognize these CIOs. They move with confidence, build consensus, get things done by including colleagues, and never surprise their superiors.

Not all CEO-CIO partnerships exploit their full advantages, and so, if these words rang true with you, I encourage you to act. Discuss these ideas with your boss. See if they ring true with him/her, too.

However, before you press for more access to the executive table and for more genuine dialogue, inspect yourself. Are you and your team ready for prime time? You don’t want to find yourself in a situation described by my friend, a president of a major business unit: “It seems to matter little what I say to IT folks. They don’t listen anyway.”

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