The Sideturn Takes An Uplifting Turn

The global downturn had the unintended consequence of forcing a top-down reassessment of business models, as well as IT's capacity to adapt to new operational realities. Here's how more progressive organizations are remaking their IT and business architectures to ensure they emerge from the recession stronger and more competitive than they went in.

By Bruce J. Rogow

Surprisingly, my Odyssey visits with CIOs this year have not been filled with gloom and doom. Rather than centering on cost cutting, the vast majority of CIOs are focusing on how the global economic downturn has catalyzed four radical shifts in IT direction:

- IT Experience, Simplification and Wellness: The next level of IT contribution sets new expectations that cause organizations to rethink how IT is managed.
- Alternative Delivery Vehicles: A bevy of new approaches for delivering IT service are being tested and are cascading into the enterprise -- with or without IT sanction.
- Old Co. to New Co.: The current business model is weak or dying. Long live the new business model and the role IT must play in bringing it to life.
- Collaboration Round II: Travel restrictions, expanded global workload and an ever-expanding class of digital natives are mandating new forms of collaboration, enabled by emergent Web 2.0 tools.

These changes are tied to major business challenges (structural, secular and cyclical). Viewed collectively, they are taking IT to where it may have only dabbled before.

IT Experience, Simplification and Wellness: In the previous issue of *Cognizanti* (Volume 2, Issue 1, 2009), I described how many CIOs were turning their attention to optimizing the core of IT. These efforts are leading to two dramatic changes in the IT agenda and organizational structure:

- IT executive focus and power base: CIOs tell me they have shifted their time and focus from finding and delivering "killer apps," to processes and activities that deliver better utilization and yield of existing IT assets.
- Creation of asset management offices (AMO): As the project management office (PMO) was created to take IT project performance to new levels, many companies are now taking a parallel approach with asset management. They are formalizing the AMO, a function that typically includes

or guides processes among existing asset portfolio managers, enterprise architecture, IT finance and business relationship management. These AMOs function proactively, driving strategies and plans, rather than offering models and advice.

One CIO who implemented the elements of an AMO in 2005 claimed a 20%-plus decrease in systems, databases, technologies and tool sets as the AMO guided the company's normal refresh cycles. Another CIO described a program that increased the use of ERP databases and BI tools. Using a Kaizen effort, the company has reduced waste by over 30% and decreased manufacturing cycle time by 20%.

Alternative Delivery Vehicles (ADVs): The business demands that IT become more agile, adapt to local requirements and, most critically, reduce the fixed costs of IT services delivery. Rejecting ADVs such as SaaS, external or internal clouds, social networks, collaborative platforms, mash-ups, mobile services and consumer-influenced desktops/laptops is not only a lost cause, but it could also be catastrophic to your company's competitiveness.

To respond, CIOs are finding they need to rethink nearly every aspect of IT strategy, policy, skill sets and management process to allow the enterprise to benefit from ADVs without losing control of data, customer experience, intellectual property and security. Providing integration and mitigating the inherent risks of ADVs is now part of the IT management mandate.

As an example, many companies view collaborative software such as Microsoft SharePoint not as an enhancement to Exchange but as a platform for a whole new series of user-enabled mash-ups and applets. Users are encouraged to share applets that provide expert guidance and shorten workflow times. Beware, however: Such sharing opens a Pandora's box of issues related to authorization, authentication, usage rights, internal vs. external access and tie-ins through RSS feeds.

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Old Co. to New Co.: Fifty-one of 62 firms I visited this year described a dramatic transformation under way at their companies. The CEO and board are acting on a series of revelations:

- Their current business model is not viable going forward.
- Coming out of the recession, they must have a new business model (or New Co.) to survive.
- Rather than deploying IT to the Old Co. model, the New Co. model must be rooted in what the IT and communications infrastructure can allow.
- IT must have an active role in conceiving, designing, enabling and operating the New Co.

Several CIOs told me the epiphany for business change occurred when their CEO compared the current clunky way of doing business in a fragmented industry with the seamless simplicity of how new iPhone or iPod Touch apps had created a game-changing competitive platform. One CEO said: "In 1999, I was terrified of being Amazoned. We may have over-reacted, but we are still here. I may be over-reacting again, but I don't want this firm to get iPhoned by competitors."

Four variations of the New Co. are most commonly mentioned. All are profoundly dependent on IT:

- End-to-End Business Platforms: Old Co. sold a product or service to fulfill a portion of its customers' business or personal needs. New Co. provides full-lifecycle, end-to-end services, products and management.
- The Non-Core Handoff: Old Co. owned and managed most of the value chain. New Co. focuses on a few core competencies. New Co. uses systems to tightly integrate non-core or higher value functions provided by better-qualified third parties.

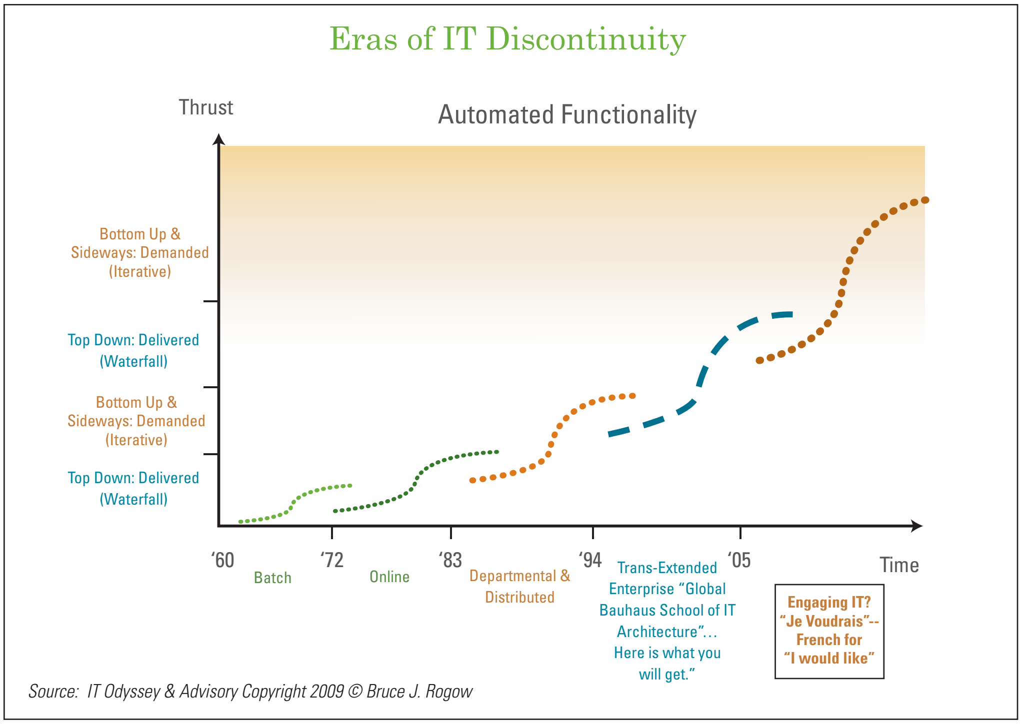

FIGURE 1

- **Extreme Go-to-Market:** Old Co. was organized by products, services or geography. New Co. centralizes the back office and provisioning functions, while highly segmenting functions that are customer-facing or related to product or service design, customer service, marketing and/or sales.
- **The Global but Transparent Operating Company:** This isn't outsourcing or offshoring. Over 90% of Old Co. direction-setting management is in the headquarters country, trying to serve hundreds of differentiated global markets and supply chains. New Co. places over 70% of the direction-setting management in the growth and high-potential markets. This diffused decision authority must be balanced with control scaffolding enabled by systems.

In many cases, the New Co. is a combination of these four variations. Several CIOs discussed how the New Co. would be a highly capital- and process-intensive platform that provided conception to retirement services for their customers. Weaker competitors would be forced to the margin. The New Co. platform would be an industry game changer.

Many of the CIOs involved with New Co. efforts mentioned they were already challenged to revamp the role, capability and management of IT to support these new initiatives. The transformation required thinking and execution beyond anything they had ever experienced. While enthusiastic and committed to New Co. efforts, many had serious doubts regarding their organization's ultimate New Co. success.

Collaboration Round II: We are past the tipping point in the deployment of collaboration tools and capabilities. Many are still relatively primitive. Many are under-utilized or misused. Few companies are receiving anywhere near the real economic benefits they should from their investments. Many of these collaboration vehicles such as the CEO's blog, esoteric wikis or internal social networks are nice to have but are frankly just eye candy at this point.

Collaboration tools are about where PCs were, circa 1982-84: Neat to have, easy to acquire but hard to turn into real profit. Over time, PCs transformed the way business was done. We will see collaborative vehicles transform almost every aspect of how companies do business. Eventually, many run-the-business applications, processes and behaviors will revolve around what these collaborative vehicles will allow -- not the other way around.

The profitable and widespread use of mass collaboration, or "Wikinomics"[1] as described by Don Tapscott and Anthony Williams, is more a cultural, sociological and behavioral transformation than a technological one.

In past periods of discontinuity, IT had to learn how to support organizational change to maximize returns from new investments, such as global ERP and CRM systems. That was child's play compared with the organizational change required to enable mass collaboration. As I noted in research work for Tapscott in articles he wrote for advisory firm nGenera -- including "Enabling Wikinomics" and "Taking Wikinomics to the Bottom Line" -- mass collaboration represents a new circus with new clowns for IT organizations.

As an example, moving beyond isolated blogs, wikis and shared meeting spaces requires literally hundreds of new skill sets and capabilities. Many of these come under the banner of what is known as "audiencing." This near art form is required to conceive, collect, engage and then sustain the active participation by a tribe or community created in a virtual space.

Organizations that excel at real, bottom-line collaboration can get products and services to market faster and cheaper than competitors. I've seen it over and over. As an example, getting a dispersed sales force, customer support group or channel partner community to share experiences, references and work products doesn't happen by simply deploying Salesforce.com, another CRM or SharePoint. Building the trust, recognized value, experience and ongoing participation is a slow, iterative process that requires much thought, hand-holding, cajoling, adaptation and perseverance.

Several very proud CIOs claimed that they had seen proposal times cut by more than half, problem orders reduced by over two thirds, sales per salesperson increased by over 25% and a dramatic uptake in add-on items sold…for those sales people and channel partners who were active members of the collaborative community.

What's This All About?

As seen in Figure 1, I've experienced four or five major periods of IT discontinuity periods in my career such as the one we are going through. They have all had a symbiotic relationship with business transformation in that they haven't just been about technology. Unfortunately, in most discontinuities, IT management believed it was the "same old/same old," was asleep at the wheel or believed that the new challenges could be met by tweaking extant IT.

If the past is any indicator, it will get ugly for today's "transitioners." Just ask any organization that early-on installed large-scale batch computers or online systems or embraced PCs (willingly or otherwise) or lived through a painstaking ERP installation. The next five to 10 years will test everyone associated with IT. As in the past, it will create new winners, stars, losers and a cadre of firms and executives who will be quickly forgotten or brushed aside.

IT and business executives are under tremendous pressure to perform. However, the type of discontinuity unfolding demands that they take some quality time to consider the big picture and begin constructing an overall transformation process. If you aren't dedicating 10% to 20% of your time dealing with the impact discontinuity will have on you and your businesses, your organization may already be sliding down a slippery slope.

Our next *Cognizanti* journal article will focus on how organizations are dealing with the "Uplifting of IT" and "Pathway to New Co." Meanwhile, feel free to connect with me to discuss this and other issues on the Cognizanti e-community.

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Footnotes

1 Don Tapscott and Anthony Williams, "Wikinomics…How Mass Collaboration Changes Everything," Portfolio, 2006.