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A collage of various electronic devices. At the top left is a wooden vintage radio with a speaker grille and a tuning dial. Below it is a brown vintage radio with a large speaker and a circular gauge. In the center is a smartphone displaying the time 10:15. To the right is a digital display with a grid of numbers. At the bottom right is a stack of black electronic components, including a circuit board and a tuner. At the bottom center is a digital display showing a globe and network icons. The background is dark with a blue and green color scheme.

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Commentary

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Just Because It's Digital Doesn't Mean It's a Success

By Gary Beach

To more effectively navigate their digital journeys, CIOs need to blend new approaches with some old-school thinking that is gaining new relevance today.

*"Half a century ago, the life expectancy of a Fortune 500 firm was around 75 years. Now it's less than 15 years and declining even further."*¹

And that's the good news. At the recent World Economic Forum in Davos, Switzerland, Cisco Executive Chairman John Chambers warned attendees that 40% of all businesses would not survive the next 10 years. Those that do survive, he predicted, "will attempt to turn their companies into digital, techie versions of themselves. But 70% of those efforts will not succeed."²

Chambers' forecasted failure rate is remarkably in sync with the 71% of traditional enterprise projects characterized as less than successful in The Standish Group's 2015 "CHAOS Report."³

Given the stacked odds, how do chief information officers (CIOs) succeed at digital transformation? In recent conversations with

world-class CIOs, I've become convinced their rallying cry should echo a lyric from The Who's *Won't Get Fooled Again*: "Meet the new boss, same as the old boss." In other words, at least one success factor can be taken from a lesson learned in the past: Know what "success" looks like before you get started.

Consider the words of Bill Schlough, senior vice-president and CIO for the San Francisco Giants, arguably the most tech-enabled team in Major League Baseball. "It's not fair to call a digital transformation project a success unless you define success *upfront*. Otherwise, you just got lucky," he told me recently.

It's like playing pool, and after announcing your intent to drop the seven ball in the corner pocket, you instead put it in the side pocket. "The same logic would apply if your digital transformation project provides the ancillary benefit of helping your firm transition into a new line of business, when, in fact, you were initially just trying to enhance product quality," Schlough said. "In both scenarios, you lose your turn."

Meanwhile, at a recent conference I attended at Ohio State's Fisher College of Business, the CIO at a global manufacturer shared a similar sentiment: "The only path to success is setting your objectives up front."

Set clear objectives. Define success. Sounds old-school (old-boss) to me. And consider these four KPIs developed by the CIO at a large public utility to measure the success of his company's digital transformation efforts:

- Revenue increase or expense reduction (previously budgeted).
- Fractional expense reduction or avoided costs.
- Process efficiency or effectiveness that cannot be measured in dollars.
- Softer goals such as corporate goodwill.

Why doesn't this CIO use new-age "digital" metrics, such as clicks on the website or number of bills paid electronically? These, he said, are merely a means to an end. Mapping results against these four business benchmarks, he said, is the best indication of how his team's hard work is moving the needle.

Beyond the Numbers: Why Digital Transformations Fall Short

So, if there's nothing really new to developing a formula for digital transformation success, and it's relatively quantifiable, why do 70% of these projects fail? I can point to four reasons.

- **A lack of leadership.** Three decades after the debut of the CIO role, I find many in this position have remained

technology managers rather than business leaders, content to fill their calendars with engagements focused on balancing bi-modal legacy digital transformation infrastructures and KTLO – keeping the lights on. Few have enough time to assess customers' pain and then craft solutions. Many remain obsessed with getting a "seat at the executive committee table."

During a keynote speech at a tech conference in Boston, Dr. James I. Cash, former senior associate dean of the Harvard Business School, said this pursuit is misguided. To earn a "trusted voice" at the table, Cash suggested, CIOs should covet a more important "seat" – a seat in a customer's office. In fact, savvy CIOs should spend a minimum of 30% of their time engaging with customers, he said.

- **Digital ubiquity.** Let's state the obvious: Every employee, every department, every business requires information technology. Remember the early days of digital transformation when CIOs fought (and badly lost) the "bring your own device" battle? How simple that digital skirmish now looks. In the age of new machines powered by artificial intelligence, enough available IP addresses for every grain of sand on the planet, technology and big data everywhere, most CIOs are choking on their company's digital exhaust. Making matters worse, modern digital tools are the most empowering technology stack ever rolled out.

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Larry Bonfante, CIO at the United States Tennis Association, put it well recently when he said, “Digital cannot be owned by the CIO, CDO, CMO or any other executive because it is a holistic way of doing business. Digital is not a job title, digital is not a thing, digital is not a department.”⁴ Digital transformation projects often fail because they produce too many “versions of the truth,” and the corporate ubiquity of digital projects leaves them with no clear-cut “throat to choke” when things go badly.

- **Talent disconnects.** CIOs struggle to manage workforces that now span four generations, from baby boomers to Generation Z. Many digital transformation projects at established companies remain tethered to mainframes running Cobol. Coaxing older tech workers to work “one more year, please” is a real challenge. Meanwhile, STEM skills remain scarce among millennial and Gen Z populations, which can slow progress toward creating or enforcing a digital mandate. Moreover, these workers also tend to job-hop, making it difficult for CIOs to retain competent talent.

How bad is the digital transformation talent gap? Real bad. At the end of 2016, there were 553,000 “open” tech jobs in the U.S., alone – including jobs that had been “open” for 90 days or longer!⁵ This is an ominous stat that projects out to 50 million days of lost IT productivity every quarter.

- **The “social costs.”** The rapid proliferation of AI, analytics and robotic process automation across the extended enterprise directly impacts the present, and future, employability of humans. Most CIOs pay lip service to work dislocation and corporate training and development.

Here’s eye-opening proof: In 2017, Forrester Research claims U.S. firms will invest \$1.5 trillion in all kinds of digital equipment, software and services.⁶ And yet through December 2017, IDC reports that CIOs will spend a miserly \$8.4 billion – or about \$1,200 per company – on worker training.⁷

The next decade will witness a seminal shift in the definition of work – work done by machines and work done by humans. As Cognizant’s Malcolm Frank, Paul Roehrig and Ben Pring write in their new book, *What to Do When Machines Do Everything*, “there will be blood.”⁸

Newton’s third law of physics – “for every action, there is an equal and opposite reaction” – should serve as a roadmap. For every digital transformation investment they make, they should make a corresponding digital training investment.

Digital leaders today need to be committed to “changing things” and, yes, even be counted among the “misfits.”

Don't Get Fooled Again

Forecasters are fond of suggesting that to look forward, we need to look back twice as far. In that spirit, read the script of this 1997 Apple, Inc. advertisement to forecast the current, and future, attributes CIOs must embody to successfully navigate their digital transformation journeys:

*Here's to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently. They are not fond of rules. You can quote them, disagree with them. The only thing you can't do is ignore them. Because they change things. While some may see them as the crazy ones, we see genius. Because people who are crazy enough to think they can change the world, are the ones who do.*⁹

Just as Apple valued “thinking different” in the late '90s, digital leaders today need to be committed to “changing things” and, yes, even be counted among the “misfits.” Go to any tech conference. The “crazy ones” are on-stage and in the aisles. My favorite tip: Type “digital transformation” into the search boxes of Twitter and LinkedIn. You'll quickly find thousands of people to follow or connect with.

McKinsey & Co. calls them “unreasonably aspirational” leaders, focused on setting goals that “jar an organization into seeing digital as a business that creates value, not as a channel that drives activities.”¹⁰ How do you know if your digital goals are unreasonably

aspirational? McKinsey advises: “If your goals are not making the majority of your company feel nervous, you probably are not aiming high enough.”

Or as Cisco's John Chambers said, “If [your digital transformation plans] aren't making you sweat, [they] should be.”¹¹ Although it wasn't that long ago, client/server and e-commerce initiatives called for the same levels of unreasonable aspiration and sweat. Sometimes, following the “old-boss” rules means breaking from the status quo. There's no reason for CIOs to get fooled again.

There's a Formula, But It Isn't Magic

Is digital transformation a somewhat new endeavor? Absolutely! But this is where a successful CIO must apply a twist to old-boss thinking.

Set objectives. Define success. Don't get infatuated with the latest new technology. Create governance rules that are departmentally inclusive. Get out of your office and visit customers. Set the pace of your business to theirs. Be a maverick. Develop bold, defined goals. Plan your work and work your plan, and you will be among the 30% of companies that succeed at digital transformation.

Footnotes

- ¹ Richard N. Foster, “Creative Destruction Whips through Corporate America,” Innosight, 2012, <https://www.innosight.com/insight/creative-destruction-whips-through-corporate-america-an-innosight-executive-briefing-on-corporate-strategy/>.
- ² Julie Bort, “Retiring Cisco CEO Delivers Dire Prediction: 40% of Companies Will Be Dead in 10 Years,” *Business Insider*, June 8, 2015, <http://www.businessinsider.com/chambers-40-of-companies-are-dying-2015-6>.
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- ⁷ From a private IDC analyst call.
- ⁸ Malcolm Frank, Paul Roehrig and Ben Pring, *What to Do When Machines Do Everything*, Wiley, 2017, <https://www.amazon.com/What-When-Machines-Everything-Algorithms/dp/111927866X>.
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- ¹⁰ “The Seven Traits of Effective Digital Enterprises,” McKinsey & Co., May 2014, <http://www.mckinsey.com/business-functions/organization/our-insights/the-seven-traits-of-effective-digital-enterprises>.
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