Chapter 1

Step 1: Partner

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If we are together nothing is impossible. If we are divided all will fail.
—Winston Churchill

Partner: Establish strong relationships with internal and external stakeholders to create long-term competitive advantage.

Your success greatly depends on your relationships with others. Whether you are trying to drive results within your team, with stakeholders across your company, or with suppliers, your ability to create positive business outcomes will rest on the strength of your business relationships. Partnerships begin with having a clear understanding of a company's vision, goals, and strategies. This chapter describes the stages of a business partnership and how to build an IT strategic plan, in cooperation with your team and business partners, so that everyone has a clear picture of the value IT will contribute to the company.

Partnership versus Alignment

Year after year, IT survey results inevitably state that one of the top priorities for the coming year will be to align IT with the business. The topic certainly gets a lot of attention and is often the source of many articles, postings, books, and presentations. Out of curiosity, I performed a search on Google, and it returned an astonishing 3.3 million results on the topic.

Why do so many CIOs struggle with alignment? Perhaps the answer is that they focus too much attention on aligning with the business rather than partnering with it. Are these just two different words with the same meaning, or is partnering in a different category altogether? Let's look at the definitions. *Alignment* is a state of agreement or cooperation. *Partnership*, however, is the state of being associates or colleagues. Partnership is about establishing strong relationships with internal and external stakeholders to create a long-term competitive advantage.

Given these definitions, alignment is being an order taker, while partnership is about people joining as colleagues in business—two very different relationships. Which relationship would you rather have with your fellow business leaders?

In successful partnerships, three common elements repeatedly and consistently emerge: impact, intimacy, and vision. *Impact* describes a partnership's capacity to deliver tangible results. Successful partnerships increase productivity, add value, and ultimately improve profitability. *Intimacy* is a challenging word; it conjures up images of people relating on an intensely close level. That's exactly what successful partners do in a business context. Successful partnerships also have *vision*: a compelling picture of what the partnership can achieve and, specifically, how it is going to get there.[1]

Build Business Partnerships

There are three stages of a business partnership: earning trust, setting priorities, and creating business strategy. If you achieve these stages, you will ascend from merely aligning with the business to being a valued business leader in your organization. Let's take a closer look at how it works.

Earning Trust

The first stage in building a partnership is earning trust. Relationships may be built, but trust is earned—and it's necessary for a true partnership. Once you have demonstrated that you can be relied on to deliver real value to the company, you become a trusted supplier of products and services. The more value you deliver, the more credible and respected you become.

In order to earn people's trust, you have to know them. More important, they have to really feel that you know them and genuinely care about them. In fact, trust is the most important characteristic of an influential and intimate relationship. In the context of a business relationship, trust comes from a sincere conviction in the hearts and minds of your colleagues that you are working in their best interest and that you really know what their best interest is. Once you gain an understanding of what really matters to the business, it's time to come up with strategic responses to their issues.[2]

I recently met with Michael Del Priore, the vice president and global CIO of Church & Dwight Company, the leading U.S. producer of baking soda. Founded in 1846, the company is best known for its Arm & Hammer brand, one of the nation's most trusted trademarks. It also makes a variety of other consumer and specialty products and operates internationally. Michael joined the company in the summer of 2009 and determined that the organization required a strategic-planning process, a governance model, and an organizational structure to partner with the business.

In response, Michael spearheaded an initiative to build a strategic plan for IT. He began by interviewing top executives and other business stakeholders across the company. ''The interviews helped me introduce the 'voice of the customer' into the planning process with my team,'' he says. Michael then spent a few months with his team to document a three-year plan and validate it with senior business leaders. Afterward, he conducted a town hall meeting with his full staff to announce the details. ''A main theme of our plan was to transition from having country-specific IT to having a global IT organization, including platforms, processes, tools, and a new organizational structure,'' he explains.

As a transformational CIO, Michael appreciates the importance of creating a governance framework and integrating IT into the decision-making process:

> *We didn't want to be in a situation where the business makes a request and we just react to it. We wanted our account managers to be integrated into the process and help develop the concepts and ideas. Having a documented strategic plan helps establish the context for making decisions on specific projects.*

Setting Priorities

After becoming a trusted partner with the business, you can raise the ante and seek to become part of the priority-setting process at the operational level—the second stage of building partnership. The key here is to get your lieutenants to have a voice in the priority-setting operational committees. This stage helps you progress from order taking to priority setting.

A best practice is to create committees for each of your major business processes, such as sales, customer service, and accounting. These teams should consist of individuals from all across the company rather than being monopolized by corporate stakeholders. Assign an IT relationship manager to each of these committees to partake in discussions to help set priorities related to business processes. The IT relationship managers should have a full vote on proposals presented to the committees—accept nothing less. IT is in an excellent position to judge proposals, given its breadth of exposure to all major business processes and priorities.

Ken Harris is the CIO of Shaklee, the top natural nutrition company in the United States and the leading provider of premium-quality natural nutrition products, personal-care products, and environmentally friendly home-care products. With more than 1.2 million members and distributors around the globe, Shaklee currently operates in the United States, Mexico, Canada, Japan, Malaysia, Taiwan, and China.

Ken is a celebrated CIO with more than 25 years of success leading IT at high-profile companies such as Gap, Nike, and Pepsi-Cola. I recently caught up with Ken to ask about his view on setting priorities with the business. Here is what he told me:

> *It is imperative to have a prioritization process so that your department is working off the same sheet of music with the rest of the business. At*

Shaklee, we have two distinct but interrelated processes for setting priority and aligning with the business. The first is an IT strategic-planning process involving the executive management team. We meet on a monthly basis to review progress on existing initiatives, prioritize new opportunities, and calibrate the budget. The second process involves weekly meetings with the people at the next level down in the organization where we discuss progress and issues at a more tactical level. The process of communicating both at the executive and operational level on a frequent basis creates a level of intimacy necessary for developing a strong business partnership.

Maintaining a productive relationship with your business partners through frequent contact points appears to be an effective method to align on priorities for technology-enabled business initiatives. I met with other CIOs who share this philosophy.

Greg Fell is the CIO at Terex Corporation, a diversified global manufacturer in five business segments: aerial work platforms, construction, cranes, material handling and port solutions, and materials processing. Terex manufactures a broad range of equipment for use in various industries. Terex also offers financial products and services to assist in the acquisition of Terex equipment through Terex Financial Services. I recently got together with Greg and asked him to describe the IT governance practices at the company. Here is what he said:

An ERP system is less about technology transformation and more about business-process transformation. So when we began our ERP initiative here at Terex, we created a governance process that involved meeting with the business executives every other week for two hours to review progress and priorities. The frequency and amount of time we spend together has helped create awareness of the opportunities and challenges that we need to collaborate on. Now when projects cost a bit more or take longer than initially expected, the leadership team has a better understanding and appreciation of the issues. The meetings also help drive the ownership of the issues. And in many cases, issue resolution is owned by individuals outside IT.

It is important to ensure that every project in your portfolio has a measurable business case and is aligned with company goals. The committees can also be effective bodies for developing long-term strategic plans that represent the key objectives for each process area. Another important factor is that the committees should all be

managed by a singular governance framework. The framework should be thoroughly documented and describe the purpose and process of setting priorities and objectives in support of company strategies and goals. See Chapter 3 for more detail on developing a governance framework.

Creating Business Strategy

The final and most coveted stage in the IT–business partnership is for IT to be viewed as a venerable part of the business. At this stage, IT and the business converge and are indistinguishable. To achieve this step, the IT leader in your company needs to sit on the steering committee responsible for creating the vision, goals, and strategies for the business. This committee provides the guidance and parameters for the priority-setting committees discussed earlier, since all priorities should be aligned with the company's overarching vision, goals, and strategies.

Getting a seat on the steering committee is not always easy, since IT still has an image problem in many organizations. IT has to get out from underneath the oppressive rock of being viewed as simply a service provider and transform into a true business partner. This is accomplished by demonstrating success with partnering and consistently delivering on the objectives defined by you and your peers. Remember, trust is *earned*—it's an achieved privilege, not an entitlement. Once your CEO sees that you can be counted on to deliver value consistent with the company's core vision, you will begin to earn your rightful seat at the table.

Rich Brennen is a partner at Spencer Stuart, one of the world's leading executive-search consulting firms. Rich built Spencer Stuart's global information officer practice and served as its global leader for over a decade. He has recruited more than 250 CIOs, including the top IT executives for the Walt Disney Company, the Allstate Corporation, Barclays, CIGNA, the Clorox Company, Juniper Networks, State Street, Kimberly-Clark, Walgreen's, and the Kroger Company.

I asked Rich to describe the qualities of a transformational CIO. Here is what he said:

> *Trying to describe a transformational CIO is like trying to describe a cloud. It's amorphous and depends on the view of the person describing it. For instance, one client may describe a transformational CIO as someone who*

can move their back-office IT to be more front and center in the business. Another client may describe it as someone who can help reduce IT costs or fix a failed outsourcing arrangement.

There is no rigorous definition of a transformational CIO, although there are certain themes that we keep hearing today from companies seeking new CIOs. The first is the CIO must be laser focused on the business. The new CIO role is as much of a business executive as the head of manufacturing, sales, supply chain, or any other function. Another theme is that clients are requesting a CIO who has run a business unit in the past or at a minimum has had some non-IT experience.

The best CIOs are indistinguishable from the other business executives in the room. If you were a fly on the wall listening to a discussion between the CIO and other CXOs for thirty minutes, you would not be able to identify the CIO as he or she is speaking about business outcomes and achieving business strategies. It's the CIO's job to leverage technology to enable the business, and the best CIOs discuss opportunities and challenges in business terms, not technical terms.

I met with Susan Miller, the CIO of a major sports franchise. Susan shares an interesting perspective on earning a seat at the table with the company's other executives. Here is what she told me:

When I joined the company several years ago, I had two major initiatives that I needed to address right from the start. The first was to transition from a decentralized IT organization to a shared service organization, including a new infrastructure platform. The second was to move headquarters into a new office building in Chicago that we had to design from top to bottom. The shared service initiative was an internal IT restructuring effort coupled with a technical architecture upgrade, requiring little involvement from the business. The new office building project involved having us work very closely with the business to design the layout of the new space and even the selection of the furniture—all of which required heavy interaction with the rest of the leadership team.

CIOs need to be comfortable with both ends of the spectrum. In one moment they may be working on a disaster recovery project with their team, and in the next moment they could be sitting next to the CEO working on the business plan. What people don't often realize is that success with the low-profile projects, such as higher network bandwidth, actually helps you earn the trust and credibility needed to gain a seat at the table with the rest of the business executives.

Trust is *earned*—it's an achieved privilege, not an entitlement.

I sat down with David Kaufman, the CIO of Aramark Corporation, a leader in professional services providing award-winning food services, facilities management, and uniform and career apparel to health-care institutions, universities and school districts, stadiums and arenas, and businesses around the world. In *Fortune* magazine's 2011 list of the World's Most Admired Companies, Aramark was ranked number one in its industry. Since 1998 it has consistently ranked as one of the top three most admired companies in its industry, as evaluated by peers and analysts.

David views strategic planning as a bottom up–top down process involving the development of an annualized portfolio of initiatives. He meets with the strategic committee, composed of people who directly report to the CEO, on a quarterly basis to review progress toward goals and set priorities and sequencing for each new initiative. As David describes it, ''The quarterly presentations typically include a review of whether the initiative is on time, on budget, and producing the desired business outcomes. We also discuss the risks and mitigation plans for each of the initiatives.''

The key is illustrating how IT fits into the company's core vision. There are many ways of illustrating IT's alignment with the company's vision, but perhaps the best approach lies with developing a balanced scorecard and strategy map. In *Strategy Maps*, business strategy consultants Robert S. Kaplan and David P. Norton explained that strategy maps are a way to provide a uniform and consistent way to describe strategy, so that objectives and measures can be established and managed. A strategy map describes the logic of the strategy, showing clearly the objectives for the internal processes that create value and the intangible assets required to support them. The balanced scorecard translates the strategy-map objectives into measures and targets. But objectives and targets will not be achieved simply because they have been identified; the organization must launch a set of actionable programs that will enable the targets for all of the measures to be achieved.[3]

Establishing a governance framework helps IT to identify and prioritize projects across the major business initiatives and processes.

Due to the very nature of their jobs, CIOs inherit many projects as a result of partnering with their business peers. Documenting the objectives in the form of a strategic plan will help you describe how IT contributes to company strategy.

Develop an IT Strategic Plan

The planning process helps you to create and communicate your vision and allow people to understand their purpose in the organization. I recently attended the World Business Forum in New York City, where Gary Burnison, the CEO of Korn/Ferry International, a global leader in executive recruitment, gave a talk on talent management. Gary says that the number one reason people leave companies is that they don't understand how they matter. No one has told them how they fit in. He adds, ''In this era, when self-interest trumps mutual interest, leadership defines how people fit into the journey.''

In *Motivate Like a CEO*, Suzanne Bates wrote, ''As a leader, you have to learn how to communicate mission and purpose so that it makes sense to every single person in the organization. This can be challenging. You really have to get to know the individual and the group so you understand how to make the purpose relevant, exciting, and motivating for them. People need to see how they fit into the larger mission of the organization.''[4]

I spoke with John Hinkle, the CIO of Take-Two Interactive Software Inc., a leading developer, marketer, and publisher of interactive entertainment for consumers around the globe. The company develops and publishes products through its two wholly-owned labels, Rockstar Games and 2K; 2K publishes its titles under the 2K Games, 2K Sports, and 2K Play brands. The company publishes such popular game franchises as Grand Theft Auto, Midnight Club, Red Dead Redemption, Max Payne, Bully, and Manhunt.

John believes it is important to connect the *why* with the *what* for his staff:

> *If one of my project managers is giving an update on a global network upgrade, you can always count on me to chime in and explain how the project is adding value to the business. I might say something like ''The*

upgrade will mean that we can reduce the time it takes to transfer the latest game build to the QA Lab by 70 percent and save thousands of dollars in lost QA productivity.'' When people have an understanding of why they are doing something, they tend to become more motivated to achieve the goal. I want people who work for me to understand why they are working on something and, more important, love what they are doing. If you just want to punch a clock, then I don't have a role for you here.

People need to see how they fit into the larger mission of the organization.

I recently caught up with Jim Gerry, the vice president of North America IT at Hyatt Hotels Corporation, a leading global hospitality company with a proud heritage of making guests feel more than welcome. The company's subsidiaries manage, franchise, own, and develop hotels and resorts under the Hyatt, Park Hyatt, Andaz, Grand Hyatt, Hyatt Regency, Hyatt Place, and Hyatt Summerfield Suites brand names and have locations on six continents.

Jim works with his team and business leadership to develop a five-year strategic plan. He feels strongly about vetting the plan with the executives and functional constituents at Hyatt so that everyone has a voice in influencing the IT strategies and objectives:

We have quarterly business reviews with the CEO and his direct reports to review progress toward current-year plans and how initiatives align with the five-year strategic plan. On a semiannual basis, we conduct an IT steering committee meeting with functional heads across the company to review current programs, projects, and priorities. This process helps to ensure that everyone understands the big initiatives and has a chance to weigh in.

The participants in these sessions have the opportunity to share what they think is working well, not working well, or what we should be working on. I have learned throughout my career that even the most well-thought-out strategic plans will need to change on a periodic basis to address changes in the business climate. What's important is you have multiple channels to listen to your team and your business stakeholders and adapt your plan accordingly.

How to Get Started

The purpose of an IT strategic plan is to define, in cooperation with the relevant stakeholders, how IT will contribute to the company's goals and the related costs and risks over time—usually three to five years. It includes how IT will help the business meet its goals and objectives by translating business requirements into technology products and service offerings while being transparent about benefits, costs, and risks.

An IT strategic plan typically includes:

- A strategic-planning process
- IT's vision, mission, and goals
- The company's vision, goals, and values
- Mapping business initiatives to business goals
- Mapping IT strategies to business initiatives
- Mapping IT objectives to IT strategies
- Categorizing IT objectives by domain (business and technical)
- IT benchmarking study results
- IT trends
- Measuring progress toward IT goals
- IT spending

The Sections of an IT Strategic Plan

Let's examine each of these sections to further describe the content to help you get started on your own IT strategic plan.

The Strategic-Planning Process. Strategy is not a stand-alone process; it is one step in a logical continuum that moves an organization from a high-level mission statement to the work performed by frontline and back-office employees.[5] The development of an IT strategic plan should be managed as a project by the IT leadership team and include input from key stakeholders, staff members, and opinion leaders in the company.

A plan can be developed using six activities:

1. Defining the purpose of the plan
2. Capturing and evaluating business needs
3. Assessing the ability to support the needs
4. Developing the plan and the key performance indicators
5. Validating the plan
6. Communicating the plan

The project is followed by the ongoing activities of monitoring, governing, and managing to achieve the anticipated results.

IT's Vision, Mission, and Goals. Just as a company has a vision, a mission, and a set of goals, individual departments should create their own maxims to articulate how they fit into the overall picture. See Chapter 2 for more information on how to brand your department and set a vision, a mission, and a set of goals.

The Company's Vision, Goals, and Values. It's always helpful for the readers of your plan to be able to easily reference the company's vision, goals, and values. This way, it's clear to them that IT is aligned with the rest of the organization and not marching down a different path.

Mapping Business Initiatives to Business Goals. The next step is to have a clear understanding of how the business initiatives (e.g., a new marketing campaign) link to a business goal. This is where the planning process gets interesting. Unfortunately, many organizations do not take the time to document business goals, let alone business initiatives. Even some Fortune 500 companies haven't inked more than a vision and mission statement. Of course, this makes it difficult for individual departments to align their initiatives to the business.

If you find yourself in this situation, approach it as an excellent opportunity to exhibit your business chops and partnering abilities. Recruit the assistance of your direct reporters and process committees to document business goals and initiatives from their perspective. I have been able to use this grassroots strategy to influence corporate

leadership teams to develop strategic plans, or at least convince other department heads to document their individual plans. You may ruffle a few feathers along the way, but people will eventually realize you have the best interests of the company at heart—and they will also become convinced that you're not just a technologist. Once you have the goals and initiatives documented, you can move on to the next step: to link IT strategies to the business initiatives.

Mapping IT Strategies to Business Initiatives. In this step, your objective is to define one or more IT strategies that can support each business initiative. For instance, if a business initiative is to launch a new consumer product, then you can describe IT strategies in support of that business initiative. The strategy is at a high level and does not describe the details to fulfill the requirements of the initiative—that is in the next step. To use the example of the launch of a consumer product we will call XYZ, an IT strategy might go something like this: Partner with the operational functions to provide the technology products and services in support of XYZ product launch.

Mapping IT Objectives to IT Strategies. Once you have all of your IT strategies documented, you can have your direct reports work with their teams to define the specific objectives for the next three to five years that will be used to address the strategies, further describing the IT partnership with the business. The objectives describe realistic targets for the strategy and should be developed using the SMART method. SMART is an acronym for *specific*, *measurable*, *achievable*, *relevant*, and *time framed*, the five leading measures of a strong objective—a realistic target for the strategy. The first-known use of the term was by George T. Doran in the November 1981 issue of *Management Review*.

As discussed earlier, it is important to help employees understand how they fit into the big picture. This task is accomplished by setting SMART objectives and assigning the objectives to individuals who will be responsible for executing them. In this way, the IT strategic plan and the individual performance plans are confluent. It's also a good practice to meet with your business partners and direct reporters on a periodic basis to recalibrate the strategies and objectives.

Setting SMART objectives aligns individual development plans with the strategic plan.

Categorizing IT Objectives by Domain (Business and Technical). It is helpful to classify IT objectives into specific business-application or technical domains so you can analyze your portfolio according to the domains. The strategic plan doesn't just focus on business applications; it also includes the supporting infrastructure objectives. By classifying objectives into domains, you can see how the objectives from various functional areas can form a collection of actions that address a strategic outcome for the company.

For instance, an IT department may have one function to support sales objectives and another function to support customer service, even though the objectives are part of customer relationship management. Customer relationship management entails all aspects of interaction that a company has with its customers, whether they are sales or service related. By grouping specific objectives in the sales and service functions as part of that domain, you can analyze how you are addressing the needs of the customer.

Here is a list of examples of domains to consider for your strategic plan:

Business Application Domains

- Enterprise resource planning (ERP)
- Customer relationship management (CRM)
- Supply chain management (SCM)
- Human capital management (HCM)
- Business intelligence (BI)

Technical Domains

- Software architecture
- Database
- Server
- Storage
- Desktop

- Messaging
- Networking and telecommunications

IT Benchmarking Study Results. A popular way for IT departments to identify opportunity for improvement and competitive advantage is to compare its performance with other companies through benchmarking. It's helpful to include a summary of the benchmarking study results in your strategic plan to give readers an understanding of your strategies in relation to competitors or other companies of similar size. See Chapter 2 for a description of how to conduct a benchmarking study.

IT Trends. The purpose of the next step in the strategic plan is to describe the trends in the IT industry: the critical issues, opportunities, and challenges that all organizations face. The trends help IT departments make informed strategic and tactical decisions to better serve the needs of the business.

As part of the strategic-planning process, CIOs should have their function heads research the key trends for their area (i.e., the business application domains listed earlier). The following is a list of technology categories that serve as suggested areas of study for trends that are likely to have an impact on IT products and services:

- Application development and integration
- Business-process management
- Cloud computing
- Consumer technologies
- Data management and data integration
- IT asset management
- IT management, operations, and services
- Mobile and wireless devices
- Networking and communications equipment and services
- PCs, laptops, and handheld devices
- Regulatory compliance

- Security and privacy
- Servers and storage
- Social networking

Use this section of your strategic plan to document several trends for each of these categories and include a summary statement for each category. Encourage your IT function heads to identify the trends by leveraging a multitude of sources, including white papers from IT research and advisory companies, technology journals, publications, websites, conferences, and seminars.

Measuring Progress toward IT Goals. As part of the planning process, it's important to define ways to measure progress toward business and IT goals. Key performance indicators (KPIs) are quantifiable measurements that reflect the critical success factors of a company or individual department.

Whether you decide on the traditional written form or a graphical representation of your plan, what is important is that it is easily understood and embraced by your business partners and staff. It should also be documented in a way that can be easily updated, since things change quite frequently in the IT industry. A sample template for a strategic plan is available on the companion website.

Key Performance Indicators for IT Goals. Here is an example of KPIs that can be considered for an IT department:

- **Delivery.** The product or service is implemented on time and within budget and meets business requirements. This is typically measured by comparing the final delivery date with the delivery date that was agreed on with the user.
- **User satisfaction.** Users of the product or service are satisfied. This is typically measured by user satisfaction surveys.
- **Number and severity of defects.** To ensure that IT delivers quality products and services, evaluate the number and severity of defects (issues) with the product or service delivered.
- **Number of controls passed.** IT is required to adhere to specific controls to ensure that its computer systems generate accurate

financial reports; for publicly traded companies, Sarbanes-Oxley controls are specified by auditors. This KPI measures the numbers of controls passed as part of implementing a product.

- **Savings.** This KPI measures the monetary savings obtained by implementing a product or service. A benefit analysis will be defined up front and measured as part of the delivery of the product or service.
- **Revenues.** This KPI measures the revenue earned by implementing a product or service. A benefit analysis will also be defined up front and measured as part of the delivery of the product or service.
- **Efficiencies.** An important measurement is the improvement with operational efficiencies. A productivity analysis will be defined up front and measured as part of the delivery of the product and or service.
- **Competitive advantage.** A difficult but important indicator to measure is the level of competitive advantage gained by a product or service. A practical method of examining the level of success with this indicator is through benchmarking.
- **Business alignment.** In order for IT to maximize and sustain its value to the business, it must ensure that it is aligned with organizational goals and objectives. This indicator is measured through the IT governance framework (e.g., voting or surveys).
- **Transparency.** This indicator measures how IT communicates the scope, progress, risks, milestones, and achievements that are related to an objective. Typically, instruments such as project status reports, scorecards, and annual reports are used for this purpose.
- **Availability.** This indicator focuses on the operational health and stability without which IT will be unable to establish credibility with its users. From a user's perspective, a primary concern relates to application and service availability. This indicator is measured by the performance against the IT service level agreement.
- **Security incidents.** Security incidents are becoming significant for IT organizations. Whether they are viruses, spam, denial of service attacks, or hacker penetrations or come in some other form, security breaches have an impact on business. This indicator is measured by

the number and severity of incidents—particularly any incident that leads to adverse monetary costs in lost revenues, recovery costs, and even fines.

- **Employee turnover.** This is the ratio of the number of IT workers who had to be replaced in a given period to the average number of workers in the same period.

Key Performance Indicators for Business Goals. Delivering IT products and services on time and within budget will definitely earn you credibility, but how do you transform your role so you're more than a technologist? In this section, you will learn how to capitalize on the information stored in the systems to measure performance and influence business outcomes. There is no other role or department in a company with such an inimitable ability to harvest data across multiple business domains to demonstrate results with cross-functional initiatives. So leverage your technical strengths to convey your business leadership abilities.

CIOs can stand out and create real value by helping their business partners identify and measure KPIs for each of the business goals. Business leaders typically focus most, if not all, of their attention on business results, including revenue, profit, and customer satisfaction. These results are vital to every company, regardless of industry, geography, and size. Business results are linked to the performance of employees, products, services, and market conditions. However, surprisingly, there is typically less focus on the KPIs that drive these business results. For instance, the amount of time that sales representatives spend following up with their leads can be a KPI.

CIOs can stand out and create real value by helping their business partners identify and measure KPIs.

KPIs are measurements of performance and are used to periodically assess the performance of divisions, departments, and employees. They are specific, measurable, controllable, and meaningful. KPIs are linked to targeted values, so measurements can be taken several times and assessed as meeting expectations or not.

When companies develop and measure KPIs, they typically confine them to individual business processes (e.g., sales, marketing, or purchasing), instead of combining the KPIs into one cohesive and holistic scorecard. Having one scorecard for all of the KPIs allows business leaders to examine the correlation between the measurements and get more of a holistic view of the operations. This approach creates an immense transparency of the company's performance. It's also a great way to exhibit your interest and abilities in gathering and reporting on business measurements.

As a CIO, you are in a unique position to identify, analyze, and report on KPIs across the business. You probably already have a data warehouse that collects most of the data needed for this purpose. It's now a matter of partnering with your business peers to establish the appropriate KPIs for each function and the expected performance threshold for each indicator. Be sure to leverage the governance committees for this activity. Also, tap into the BI experience of your staff members to help you design reports and scorecards to communicate the results. Helping your company move the ball with operational KPIs will showcase your business acumen and your interest in improving business results.

Conclusion. When you achieve the three stages of building a business partnership described in this chapter—earning trust, setting priorities, and creating business strategy—you will have reached an inflection point in your career. You will become a trusted business leader capable of discussing business issues, defining company strategies, and delivering business outcomes along with your peers in other departments.

IT Spending. No IT strategic plan is complete without a forecast of expense and capital spending for each IT group (e.g., infrastructure or development). The forecast also includes head-count projections.

I realize that I have repeatedly mentioned the time frame for a strategic plan to be three to five years and the challenge that poses for an IT organization, given the pace of change in technology. Some would argue that two years is a more practical time frame for an IT plan. It really depends on the expectations of the leadership team. If every other department is being asked to project for five years,

however, it is difficult to argue in favor of a shorter time frame for IT merely because of the volatility in technology. My point is that if the other departments are asked to forecast for five years, there is no sense in arguing it—it may even help stretch your thinking in terms of trends.

Different Approaches to Strategic Planning

There really isn't one way of developing a strategic plan. Gary Boyd is the CIO of Windsor Health Group, a managed health-care company operating government-sponsored health plans and providing specialty managed-care services to both the insurance and health-care provider communities. Gary has a very unique approach to strategic planning that is worth describing.

Every year, the three divisions at Windsor update their business plans based on the strategic goals of the company. Gary and his team are involved in helping to influence the business plans. Once the business plans are updated, IT then produces its own strategic plan that is aligned with the divisions. However, that is when things get interesting. You see, Gary doesn't write a strategic plan, he *draws* it. Instead of a creating a written narrative describing the IT initiatives that support the business plan, Gary develops a blueprint, a visual representation of his plan, the target landscape, and how it ties directly to supporting the strategic goals:

> *The blueprint has four layers for each plan year, including applications, integration points, data repositories, and information exploitation. It has been an invaluable tool in helping me communicate how IT is enabling the business plan. Our goal is to ensure that everyone in the organization has a clear view of the IT priorities and their tie-in with the business growth enablers. The blueprints depict a clear migration path that describes what capabilities need to be introduced, and how. Of course change is possible—and managing change in any environment has its challenges; this is why we have a clear change management process in place that allows us to fine-tune our direction during the course of the year.*

Differentiate Customers and Partners

Before I end this chapter, it's important that I address an age-old issue. Time after time, I hear IT executives and their staff members refer to

employees in their companies as their *customers*. This is a monumental mistake, and it should be averted at all costs. I know the term may be viewed as mere lexicon, but it is one of the reasons so many IT departments are still looked down on as ''service providers'' instead of treated as equal business partners.

Your Real Customer. Let's be clear: Your customers are the institutions or individuals purchasing your company's products and services; company employees are *not* your customers. If you refer to the employees in your company as your customers, you will never achieve a real partnership with them, and you will remain an order taker—subservient to other departmental employees. Also, don't attempt to soften the term by using *internal customer*. It does nothing to help you gain parity with your business peers.

Think about it this way: When was the last time your company's chief financial officer (CFO) referred to employees in other departments as his or her customers? In my 26-year career, I have yet to hear a CFO, a chief marketing officer (CMO), a chief operating officer (COO), or any other department head refer to employees as customers. I have also never heard any of them yearning to ''align with the business,'' for that matter. Yet these other departments provide services to the organization. Let's face it, every department provides services to the organization. We are all in it together, so don't denigrate and segregate your IT staff from the rest of the business—unless you want to be viewed as a vendor.

Your customers are the institutions or individuals purchasing your company's products and services; company employees are *not* your customers.

When I worked for Pepsi-Cola in the late 1990s, the CIO at the time lived by the ideology that employees should never be considered customers. At the time, I thought it was a bit eccentric, and I honestly didn't pay much heed to it. Over time, though, I began to realize the significance of what he meant—usually when I came across a business peer who arrogantly believed that he or she was my superior and I was there to *serve* him or her. I recall reflecting on the value that my team

and I were providing to the organization and to our *real* customers, and I realized the employees were my business partners, not my customers. I just had to educate my business peer on the terms of our relationship.

Ten years later I attended a *CIO* magazine conference where the then-retired CIO of Pepsi-Cola (who went on to run IT at Dell) happened to be giving a talk. During his presentation, he unremittingly hit on the same points about the importance of treating business colleagues as your partners, not as your customers. I was fascinated by the fact that he held on to his ideology for all those years. At that point, I was convinced, through his unwavering belief and from my own experiences, that he was absolutely right. From that moment on, I became resolute that the only customers IT professionals should recognize are the ones buying their company's products and services.

Earn Your Right to Be a Partner. I met with Jon Harding, the CIO of Conair Corporation, a developer, manufacturer, and marketer of health and beauty products and kitchen and electronic appliances. Jon believes that a CIO has to earn the right to be a business partner by executing on the fundamentals:

> *In general, I do see employees in other departments as partners in the sense that we consult with them on how to capitalize on technology to drive operational efficiencies and revenue opportunities. As an example, we are currently migrating back-office processes from South America to the United States. While the technology change involved in the effort is relatively low, there is significant change with respect to business processes and people, which we have been able to consult on. When change is met with resistance, however, IT's ability to influence business stakeholders rests on how well it executes on fundamentals, such as system uptime. If you are trying to drive change in the business, but you haven't provided good technology services, you will not earn the right to be a partner.*

Take on Responsibilities Outside of IT

Consider broadening your value to the business by applying your leadership skills and business knowledge to other areas. According to *CIO* magazine's "2012 State of the CIO Survey," 57 percent of the CIOs surveyed are responsible for one or more non-IT areas of the business.

The most commonly added functions include security, strategy, risk management, administration or operations, and customer service.

Opportunities Await You. Don't wait for your boss to come knocking on your office door to offer you responsibilities outside of IT. If you're interested in gaining more business experience, then go ask for more responsibilities. Look for opportunities where your skills and experiences complement the duties that you are interested in obtaining.

If you have never held a position outside of IT before, then I suggest you start with something that has close ties with your experience. For instance, customer service is a great place to start, because you inevitably have a background in managing IT as a shared service organization for your company. Your familiarity with service technologies and processes will give you a leg up with taking on responsibility in this area. It will also help you become more familiar with your company's products, which can open up even more doors later.

Don't Be Afraid to Create Opportunities. In some cases, you can even *create* opportunities for non-IT responsibilities. A good example is when IT is involved in business-process reengineering efforts. In most of these cases, IT becomes intimately involved in identifying, defining, documenting, and training in the standardized processes. Once the standardized processes are in place, business-process owners typically go back to their day jobs, leaving IT to support the processes and the systems.

Even if business functional heads are officially assigned the responsibility of being process owners, they typically fall out of touch with the details of the processes because they usually are not involved in providing day-to-day support. As time goes on and the process owners become more and more engrossed in their day jobs, the need for a dedicated process owner emerges—especially if the company is interested in continuously improving processes and systems. In these instances, CIOs are in a perfect position to step up and volunteer to take on process leadership for the organization.

Don't be surprised if you are met with some resistance—your business partners may not want to give up the title, even though they

may not have the time to perform the duties. Also, there is still a stigma in many companies that IT is all about the ''techy stuff'' and is not familiar enough with the business practices—even though IT is responsible for supporting and training employees in the intricate details of the operational processes. It may take some influencing on your part, but if you want to be seen as a business leader, consider taking on more than just technical responsibilities. The opportunities exist (or can be created), but you need to be the one knocking on doors.

Brian R. Lurie is the senior vice president and CIO of Teleflex, a global provider of medical devices used in critical care and surgery. Teleflex serves health-care providers in more than 130 countries with specialty devices for vascular access, general and regional anesthesia, urology, respiratory care, cardiac care, and surgery. Teleflex also provides products and services for device manufacturers.

I met with Brian to get his view on CIOs taking on responsibilities outside of IT. Brian believes that while CIOs are in a great position to take on broader business responsibilities, they shouldn't get caught up with needing to *own* other functions. He believes that CIOs can create additional value for the business by simply identifying and promoting opportunities for improvement in other functions:

> *Since IT touches most of the business functions in an organization, it's in a unique position to connect the dots and identify opportunities. While I don't presently have responsibilities outside of IT, I have gotten involved in developing programs that are well beyond IT. For instance, I created a reward and recognition program and a talent management program that are now used across the global company. In both of these cases, human resources ended up owning the programs, but IT was a catalyst in initiating them.*

Cloud Computing Is Changing the Role of IT

I have been careful to write a book that will stand the test of time by not being trendy. With this in mind, I don't think that cloud computing is merely a fad that will last a few years and be replaced with a new paradigm. Cloud computing will be at the forefront of computing for many years to come and will change the role of IT for the better. For this reason, I am including a section dedicated to this topic to help IT

professionals better prepare for this evolving shift in how technology products and services are delivered.

The growing popularity of cloud computing raises a fundamental issue for IT leaders: How do we stay relevant? As the IT organization transitions from being the owner and operator of internal infrastructure and business applications to a role that involves managing a more complex multiplatform mix of internal and external services, CIOs are tasked with redefining IT's value to the business. The shift is well underway. In a recent global market pulse survey of IT managers in the United States and Europe, 96 percent of the respondents acknowledged that IT's primary role has changed over the past five years, and 40 percent of those believed it has changed to a great extent.[6]

What's driving the change? The survey found that process standardization, increased automation, and a rise in outsourcing engagements—including moving more services to the cloud—have all contributed to the transition. In the market pulse survey, sponsored by CA Technologies and conducted by IDG Research Services, more than two-thirds (71 percent) of IT managers believed that cloud computing will continue to change the role of IT.[7]

So how do you not only survive the cloud but thrive along with it? Let's take a look at some of the jobs that will disappear, so we can help our staff members better prepare for the eventual transition. The jobs that will go away in the not-too-distant future include help desk technicians, as desktops become very thin appliances, and network administrators, since many of their day-to-day responsibilities will no longer be required as companies outsource their server applications. The hosting provider will take care of all of the server backups and maintenance, so you won't need to have that staff on hand.

In contrast, the jobs that will become more important include network engineering, security, relationship management, contract law and negotiation, and process management. These are discussed in the following sections.

Network Engineering

The very nature of cloud computing means that organizations will be absolutely dependent on Internet connectivity. If connectivity to the

outside world fails, the entire cloud computing model breaks. I expect organizations to hire network engineers whose job it will be to ensure optimal connectivity. Network engineers will have to focus on ensuring network reliability as their top priority. I also expect traffic shaping to become a hot skill for engineers. Traffic shaping, if you aren't familiar with it, is a science that deals with prioritizing network bandwidth.[8]

Security

Another major growth area will be security, and most organizations' security needs are likely to change. After all, server-level security becomes a nonissue if you don't have any servers. Likewise, desktop security—at least by its current definition—will go away as bloated desktop operating systems give way to bootable thin-client components. Network security will become vitally important, even more so than it is now. Not only will organizations have to prevent packet sniffing on the network, they will also have to take measures to prevent denial-of-service (DoS) attacks. Bandwidth saturation has the potential to be the Achilles's heel of cloud computing, so a DoS attack could prove to be crippling.[9]

Relationship Management

While we may see more users forming direct relationships with cloud vendors for specialty applications that are not at the company's core business, organizations will continue to rely on IT relationship managers for the strategic applications and services. With that in mind, interpersonal skills are critical for success. Candidates for relationship manager roles must be excellent analytical thinkers and problem solvers as well as effective communicators.

Contract Law and Negotiation

Since the very nature of cloud computing means that a company will rely more heavily on outsourcing operations to a third-party supplier, companies will need people who are experienced on how to create and maintain contracts. Of course, if a company chooses a private

cloud computing deployment model, then that becomes less of an issue. However, most companies have some level of a hybrid deployment model in place, which involves private and public cloud computing. If you and your direct reports don't have much experience with outsourcing, take time to study the topic, since it will become a larger slice of the IT portfolio.

Process Management

In order to succeed with a cloud project, service level management, configuration management, and change management will require much of your attention. If your IT team already follows a proven methodology like Microsoft Operations Framework or the IT infrastructure library, it will give you a leg up with implementing a cloud project.

In addition, IT managers must understand the integration between cloud architecture and existing processes. When a cloud service has been integrated into business processes, it gets to be a part of the business instead of a solitary silo. This does not mean that cloud projects will not deliver change to these processes. Shifting services, infrastructure, or applications to the cloud implies changing how those processes work.[10]

> CIOs will be measured on how well they transition from being the owners and operators of internal technologies to managing a multitude of vendors who are integrated into IT's value chain.

To successfully manage a rollout of cloud-based applications, infrastructure, and services, organizations need to carefully identify and plan for a new set of skills. Some of these skills can be provisioned by simply retooling existing employees through training. In other cases, companies will need to recruit employees who already have the skills in place. This will depend on the timing of new cloud initiatives.

What's clear is that CIOs will be measured on how well they transition from being the owners and operators of internal technologies to managing a multitude of vendors who are integrated into IT's value chain. If this transition is executed well, users will not be able to tell the difference between products and services that are provided internally versus externally.

Top Plays

- Once you have demonstrated that you can be relied on to deliver value to the company, you become a trusted partner.
- Enlist your lieutenants to be on priority-setting committees with their business peers.
- Communicate often with your business partners to create professional intimacy.
- Make sure your project portfolio is aligned with company goals.
- Illustrate IT's alignment with the company's vision using a strategy map.
- Use the six activities described in this chapter to build an IT strategic plan:
  1. Defining the purpose of the plan
  2. Capturing and evaluating business needs
  3. Assessing the ability to support the needs
  4. Developing the plan and the KPIs
  5. Validating the plan
  6. Communicating the plan
- Develop and measure the KPIs that drive business results.
- Employees in other departments are your business partners, not your customers.
- Expand your role by taking on responsibilities outside of IT.
- Prepare your staff for the transition to cloud computing.

Notes

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