

The Role of the CIO in Strategic Change

According to Computer Weekly's CIO Index, 33% of IT directors do not feel sufficiently empowered by their boards, and 24% said the board did not understand the importance of IT to the business. Johanna Smith visits Terry Dann, IT Director of Ford Financial Europe for many years, for an insider view.



Terry Dann is a founding Director of Woburn Consulting Group. He has over 35 years experience in providing IT services and change management guidance to the automotive manufacturing and finance industries in Europe, Latin America, Asia-Pacific and the USA. Terry can be contacted through the Woburn website www.woburnconsulting.com

Terry, I'm interested in understanding where you see the role of the IT Director in terms of strategic change. Many commentators seem to think that IT Directors have not earned their position on the Board and have little contribution to make – while others value their contribution as leading to improving the performance of their business model. I would be interested to learn where you stand on this issue.

I thought that Myron Hrycyk's recent article on the subject in Computer Weekly really captured the essence of 'earning the right' to a place at the boardroom table, playing a full part in setting the strategy for the enterprise.

First - keep the shop running. That's all about operational excellence and that has to be the absolute starting point. Nothing is more damaging to the credibility of the IT operation than being too busy putting out fires to have time to add value.

Secondly, it's about delivering IT projects on time and on budget - consistently. Establishing a reputation for quality and reliability. Achieving these first two points ensures that day-to-day 'noise' doesn't get in the way of establishing a wider role for the CIO and the IT department.

Third point is the need for the CIO and their team to develop a business mindset and orientation. This provides an open door for the CIO to enter the strategic debate as an equal partner. That's when the CIO is in a position to progress IT-driven business innovation; the next generation of products and services to deliver competitive advantage for the enterprise. Laurie Orlov of Forrester Research likes to refer to 'moving from Information Technology to Business Technology' and I think she's got it spot on.

But the hard part must be putting such principles into practice. How did you go about it at Ford Financial?

I followed exactly the path that Myron describes, which probably explains why I like his article so much! I inherited a situation where IT had become held in low regard and was largely seen as an impediment to business rather than an enabler. I attacked the issues surrounding operational performance, ensuring greater clarity of service levels, performance standards, change control processes and levels of support. With my team, I raised the bar on IT operational performance and ensured it was not only met but exceeded. I ensured that best-practice project management processes were applied, without exception, and introduced my own planning and monitoring tools to ensure clarity of communications within IT and with our business partners.

The tools immediately highlighted deviations from planned project timings for management attention.

I also made it clear that my department was secondary to the business – there is no divine right for IT to exist. IT is a business-enabler first and foremost. These actions satisfied the first two stages of the process, enabling me to press successfully for IT to be represented at European Board level. From that position, and with my background in both business and IT, I was able to participate as an equal in the development and management of the corporate strategy.

To what extent do you believe IT people can shape a strategic role for themselves?

Well, having established the basics of the IT operation, it is very much in the CIO's own hands to shape the next stage. In my view, creating alliances with peers in the business is essential. Having won base credibility for IT, the CIO should participate in as many business-related committees and working groups as possible. First, and very importantly, to listen and to learn; obtaining a fundamental understanding of what is important to the business, how it ticks and what key challenges are being faced.

Secondly, to contribute to the debate, demonstrating an awareness of the issues from the business perspective, having courage to ask the 'dumb' questions, which often prove not to be so dumb after all, and gradually introducing ideas and innovation that depend on technology.

Of course, not all CIOs will necessarily be given the discretion to develop as I've described. In many multi-nationals for instance the CIO of a division will have to answer to an IT boss in corporate headquarters as well as his local CEO. That boss may not be supportive of a wider, more strategic role for the subordinate and could even see it as a threat to his or her own position. I have encountered this situation myself and I found that a similar strategy to that of gaining credibility with the business management can be effective. Critically, once again, the core IT shop must be under complete control and the project delivery mechanism must be working effectively. With this base established the divisional CIO can contribute to the corporate CIO's agenda and inquire, research, assist and generally add value to matters which reduce the corporate CIO's own workload. This will build the divisional CIO's personal standing with the corporate CIO and should generate a relaxation of the corporate ties giving the divisional CIO freedom to pursue the strategic business agenda.

What about the skill set of typical IT people? Do you see them having the strategic mindset, and how best can they equip themselves to develop these skills?

The great thing about IT people, if I may say so, is that they have minds which are both logical and inquiring. Take away the limiting tag of 'technology' and they can apply that unique viewpoint to any situation. So, the first step is to throw away the inhibitions of being 'IT people', 'technologists', and to realise there is no boundary to the subjects they can encompass. Secondly, IT is one of the few disciplines in a business which spans the organisational silos and the only one which does so from a business process perspective. IT folk are uniquely positioned to see the big picture and to spot the opportunities which may not be so obvious to other, equally smart managers, limited by the boundaries of their own business responsibilities.

Clearly, for IT people to be successful in this role, and not all of them will be, a good business grounding is essential. This enables them to take a wider perspective of their enterprise and to appreciate the

impact of change. This doesn't necessarily mean they all need to be MBAs, great though that might be, but a basic grounding in economics and finance, business parlance and the essential processes of their particular industry is essential in my view. Much of this can be obtained through one-to-one sessions with business partners. We all love to talk about more our own areas of expertise and formalising a transfer of experience means IT people can quickly get to grips with the wider business issues, while reinforcing peer relationships.

I know that you believe integrating culture and technology to be a major challenge in any organisational change. How would you go about managing this process?

I think the key is to understand exactly what situation is being dealt with – what is the company's approach to risk, to different technologies and suppliers, to centralisation and so on. Whether the organisational change is growth into a new market segment, a new country, a merger or an acquisition, an appreciation of the technological and cultural landscape is essential. This can best be achieved through a technology and culture assessment. Based on this knowledge and awareness, it's possible to build a sound strategy and road map for successful change management..

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Getting a clear picture of a business culture early on is essential in order to make sure you are not trying to impose an alien business culture. This isn't peculiar to IT - it's true of business generally.

You have worked in a number of geographies around the world and worked within different business cultures. What is the secret for bringing those cultures together?

There is no magic formula I'm afraid but, in practice, the fundamentals of business are pretty much the same in most cultures. A common language and direction can usually be found. In the same manner as my previous point, obtaining a clear picture of the current situation of the technology and culture in each country is the essential point and being able to establish from this a clear future vision which everyone can relate to and comprehend based on a sound business rationale.

I must hear your views on the hot topic of M&A activity. What are your views on acquiring or merging with a business and the implications for technology integration for the new business entity?

Huh that easy eh! I'm afraid that IT is one of those areas which tend to be overlooked in the heady rush to merge or to acquire a business – culture is another. The primary driver is often a desire to capture a brand which appears to have some synergy, to head off a competitor, to get a foothold in a sector or market or just simply to obtain cost efficiencies. IT is mostly seen as an incidental which the 'techies' will fix. Unfortunately it can often be the case that two companies will have very conflicting approaches to IT strategy, solutions, and vendors making it a lengthy, combative and ultimately expensive exercise to bring them together.

I would strongly advise talking to people who have done it – both successfully and unsuccessfully!

Terry, you make reference to ‘soft due diligence’ in your company literature, what do you mean by this and how may a group go about soft due diligence before acquiring a business?

I referred to this partly when I talked about a technical and cultural assessment. Any merger or acquisition process includes a due diligence activity. Usually a data room is made available for a potential partner or purchaser to delve into the figures and establish the company's health and future potential. By having access to the right people and data at an early stage in the process, it is also possible to establish whether there are any potential roadblocks in the technical and cultural aspects of the business. This is what we mean by “soft due diligence”.

On the IT side this discovery process will be the springboard to laying out the strategy; the future vision and roadmap I mentioned earlier. Tough decisions will need to be made on which systems will be retained as part of that future and which will be decommissioned; which technologies are part of the continuing platform strategy and which will go into decline; what data conversions will be necessary and how can they best be accomplished etc. Worst of all, there may well be situations where systems from two joining companies may be run simultaneously for a period of time. If this cannot be avoided there must at least be a clear statement on which system is the intended strategic choice and in which timeframe the other will be ceased.

As you can see, I consider “soft due diligence” to be a powerful tool and one I believe in with a passion!

Interesting, – but what about confidentiality agreements? They must stifle opportunities to really appraise opportunities and threats. How would you deal with this issue?

If we really do have only a limited view prior to the deal being done, then we have to assess risks as soon as possible after the acquisition. We do that in Woburn through our patented ‘post acquisition process’.

And what advice would you give any company considering developing a new venture with partners, acquiring other companies or just growing organically?

I would strongly advise talking to people who have done it – both successfully and unsuccessfully! There are few companies who are regularly in merger or acquisition mode, so the wheel gets re-invented over and over, including the same mistakes. That's why so many ventures fail to deliver the anticipated business benefits, or at least not in the desired timeframe. Learn from those who have been there before.

Finally, Terry, in what consultancy and research are you engaging just now and what are your plans for the future?

I've recently been involved in a similar scenario to the one we are discussing, where a UK bank is considering expansion into Europe and wishes to consider the cultural and technical implications. I'm also looking at an IT health check for a financial services organisation and a process re-engineering project for pan-European finished vehicle logistics. Now there's variety!

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