

Chapter 1

The New Normal

EXECUTIVE SUMMARY

For CIOs, expectations have risen dramatically. In addition to delivering near-perfect levels of operational service, CIOs are expected to provide astute guidance and advice that supports enterprise strategy and drives real business growth.

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I've written a lot in the past three years about the transformation of information technology (IT) from a cost center to a value center. The chief information officer (CIO) now has a seat at the C-suite table, and the C-suite expects the CIO to deliver real business value!

Delivering real business value is a major part of what I've been calling *the big shift*. In the past, CIOs were under constant pressure to reduce costs. Although that pressure hasn't gone away entirely, it's been replaced by new pressure to help the business units drive revenue. The old game was all about the bottom line; the new game is about both the bottom line and the top line.

Another key component of the big shift is the change in focus from internal users to external customers. Increasingly, IT is serving the company's customers. Unlike internal customers, external customers generate revenues. If they don't receive great service from your company, they won't merely complain—they will find another company to serve their needs, and your company will lose revenue.

Without a doubt, the game has been elevated and the stakes for IT are far higher than ever before. That's why I call it the big shift—the role of IT is changing enormously and rapidly.

If the new role of IT is enabling the business to deliver value, then delivering great service is clearly a prerequisite. Internal users might be willing to put up with spotty service, but external customers have choices. And they will walk. Great CIOs see the writing on the wall and have already prepared for next level of competition.

Are you ready to play the game at a higher level?

The Best CIOs Know that Results Trump Technology

A good friend recently reminded me that most IT users don't really care about technology—they care about the results that technology delivers. Great CIOs understand that having great technology is less important than delivering great user experiences. My friend cautioned against the tendency to equate technology with results, and urged CIOs to look in the mirror and ask themselves if their IT departments are perceived as a corporate-style Department of Motor Vehicles.

There's an excellent reason why we always talk about people, processes, and technology. You need all three to provide the best possible IT service. You simply cannot get the job done with great technology alone.

But here's the really important takeaway: CIOs who can't deliver great results will never be able to deliver the value that corporate leadership wants and demands from IT.

Leadership Excellence Is a Critical Competitive Advantage

As we enter an era of extreme dynamism and unprecedented innovation, I am absolutely convinced that a new and higher level of IT leadership is required. The modern enterprise expects IT to deliver real business value and contribute significantly to revenue growth in ultra-competitive markets. Failure is simply not an option.

From my perspective, IT leaders must embrace the challenges and opportunities of the new era or fall by the wayside. Successful IT leaders must be fully integrated, multirole C-suite players; they must be stellar communicators; they must know how to create and sustain crucial partnerships across the C-suite; and they must win the war for talent by attracting, hiring, and retaining the best and the brightest of our industry.

Make no mistake: The big shift is happening. It's here, it's real, and IT leaders need to up their game. I strongly believe that we are experiencing a golden age for information technology, and that now is absolutely the perfect time to be an IT leader. The old model is broken, and a new model is emerging.

Together, we are taking a momentous and important journey. Together, we are envisioning and creating the future

of IT leadership. Collaboration is the key to innovation, and innovation is the key to business growth.

The Big Shift Is Vital in a Customer-Centric Global Economy

For many of us, the IT industry has always revolved around technology. That's what probably drew us to the field: the cool technology that most people would never understand. We were a lot like the leather-jacketed barnstorming pilots of the early twentieth century—more interested in the technology itself than in the people and companies who might benefit from it.

Those early days have passed, and we have entered a new phase in the history of the IT industry. Our focus has shifted from ourselves to the people who use the technology services we provide. The shift in focus isn't trivial; it represents an enormous change in the way we operate. Our primary job is no longer just making sure that all the technology works—now our job includes making absolutely certain that the technology drives real business value in our interconnected digital global economy.

That's a tall order. It means we're not merely responsible for how well our IT systems operate within the limited boundaries of our own organizations; we're responsible for how well our IT systems work in markets and locations all over the world!

That's why I think the metaphor of shifting gears aptly reflects both the challenge and the opportunity facing today's IT leaders. We have a clear choice: We can shift into a higher gear to keep pace with the changing world around us, or we can cruise comfortably in the slow lane and watch as the rest of the world speeds ahead of us.

The old paradigm is fading, and a new one is replacing it. Speeds and feeds are fine, but having great metrics won't pay the bills. Today's businesses focus on delighting customers, because that's how you make the most money. Thanks to years of cost-cutting, IT is as lean as it's ever going to get. The new challenge is leveraging IT to drive revenue. We've made our contribution to the bottom line; now we have to help grow the top line!

Instead of grumbling, we should be rejoicing. IT is ideally positioned to help the business develop new products, enter new markets, and find new sources of revenue. In a recent column, I wrote about how the combination of social, mobile, cloud, and big data is creating new demands from the business for more IT services. The business wants everything faster, better, and bigger. From my perspective, this is a perfect opportunity for the IT team to demonstrate its business acumen, its work ethic, and its effectiveness under pressure.

If we do this right, together we can launch a new golden age for IT. All of the newer technologies will require tight

integration with existing IT infrastructure and intensive support from IT staff. That will translate into thousands of important IT projects—a veritable bonanza of new work.

So here are some of the big questions: Are you ready for the big shift? Are you ready for the additional responsibility, higher visibility, and elevated status it will bring? Are you willing to make the effort required to crank up the pace and work in a place that's outside your comfort zone?

For most of us, I know the answer is an unequivocal yes! These are exciting times ahead, and strong IT leadership will be critical to the success of competitive organizations. I am looking forward to a phenomenal year of growth and opportunity for all of us. Together, we will provide the leadership, innovation, and transformation needed for continuing growth in our rapidly changing global economy.

The Big Shift Is a Total Game Changer

For many years, the primary function of IT was enabling the business. Today, IT often is the business. That's a major transformation. There's no place to hide—IT is front and center.

The big shift is the change from inward-facing IT to outward-facing IT. When IT faced inward, it had a relatively small set of customers to satisfy. Basically, the customers of IT were internal users, and that means they weren't really customers. They were captive users, and they had no choice but to use whatever technology IT gave them.

The consumerization of IT changed all of that. Now those internal customers don't need IT anymore—they can pretty much use any technology available on the market. Hence the growth of *shadow IT*.

But what's more important—and this is at the heart of the big shift—is that IT's customers are now the same people as the company's customers. That's a huge difference!

Instead of serving captive customers with no choice, IT now serves paying customers who are free to choose from multiple suppliers. If those external customers aren't happy, they will find another supplier and your company's revenues will plummet.

That is the essence of the big shift. In years past, IT only had to worry about a handful of internal users. Now, IT has to worry about real customers and real markets in a hypercompetitive global economy.

In a very real sense, IT has stepped up. We're playing in the big leagues now. Today, IT really matters. It matters to the top line and to the bottom line. When IT has a bad day, the company has a bad day. When IT is on a roll, the company is on a roll.

There's no point in talking about "aligning IT and the business" when IT is the business. In the modern enterprise, IT and the business aren't merely acquainted—they are best friends. I imagine IT and the business as a pair of Olympic

figure skaters. They move together as one, in perfect synchronization, with total harmony and a shared sense of purpose.

The big shift is more than a trend—it's a template for the future.

7 Action Steps for CIOs Who Are Ready for the Big Shift

If you're looking for the latest update on the current state of the modern CIO, you'll need to talk with Linda Ban. Linda is C-suite program director at the IBM Institute for Business Value and a good friend. We were honored that she agreed to share her findings at our recent CIO Executive Leadership Summit in Detroit.

Linda's presentation, "Moving from the Back Office to the Front Lines," contained so many nuggets of great insight that it was hard for me to pick which one to write about in this book.¹ After a subsequent conversation with Linda, though, I decided to focus on an action list that Linda included at the end of her presentation.

Linda recommends seven action steps for CIOs who want to elevate their game, build tighter bonds with senior executives, and drive real business value across the enterprise:

- 1.** Architect the digital blueprint.
- 2.** Become an information steward.
- 3.** Get the basics right.

4. Eliminate cyber threats.
5. Collaborate around the clock.
6. Strengthen relationships across the C-suite.
7. Look above the operational parapet.

“If you think back five or six years ago, IT was focused on back office operations and technology. The job of the CIO was keeping everything running,” says Linda. “Today, the focus is increasingly on providing solutions to business problems. It’s not just technology for technology’s sake.”

Great CIOs focus on solving business problems, says Linda. But in order to do that, you need a solid understanding of the business. You need to spend time with your company’s customers and spend time in the field learning about how your customers are using technology.

“For example, mobility means more than just smartphones and tablets. Mobility is about converting processes and extending their capabilities onto different types of devices. Frankly, that’s a huge change for many folks. It means breaking away from a lot of preconceived notions,” says Linda.

In other words, you cannot simply take a business process and transfer it from a green screen to a tablet. You really need to optimize it for mobility, which means truly understanding the mobile user experience.

“People want to do things faster, and they don’t want complexity,” says Linda. Successful CIOs focus on

reducing complexity and finding solutions that people are comfortable using.

From my perspective, Linda's recommendation fit nicely into the larger themes we discuss at our events, in our newsletter columns, and in this book. Essentially, the focus of the CIO is shifting from the quality of the technology to the quality of the user experience. That change in focus requires a huge shift in IT leadership strategy. Great CIOs are embracing the shift and staying ahead of the evolutionary curve.

Rapidly Changing Technology Plays Directly to CIOs' Strengths

My friend Asheem Chandna is a partner at Greylock Partners, one of the world's leading venture capital firms. Based in Silicon Valley, Greylock was founded in 1965 and has \$2 billion under management. Asheem keeps a close watch on the technology space, and I recently asked him to share his vision about the evolving role of the CIO.

"For CIOs, there are three areas of opportunity. The first is moving from a purely operational role and becoming a true partner of the business. That will result in having a more strategic seat at the table," says Asheem.

"The second is leveraging the broader IT ecosystem. That's where cloud comes in. Remember, it's not all about costs. You also have to enable business agility," he says.

“The third is security. The reality is that security costs will grow, and the CIO will have heightened responsibility for managing security across the enterprise,” says Asheem. “The C-level and the boards will expect the CIO to step up and assume more responsibility for security.”

I find Asheem’s insight truly valuable. He certainly paints a crystal-clear picture for CIOs who want to elevate their careers in today’s rapidly changing business environments.

As business becomes more software based, the pace of change accelerates dramatically. “You are either disrupting or being disrupted. Everyone needs to continually reimagine their business and make sure they’re delivering real value to their customers,” says Asheem. If they don’t, they will be overtaken by more nimble competitors.

Asheem makes an excellent point. Just look at the S&P 500. In the middle of the twentieth century, companies tended to stay on the S&P 500 for many decades. Today, the average stay on the index has decreased to less than 20 years.²

The increasingly rapid turnover on major indices like the S&P 500 shows the absolutely incredible impact of technology on the modern economy. From my perspective, the emergence of technology as a key driver of markets, both large and small, plays directly to the strengths of the CIO.

Asheem’s advice is spot-on, and his timing is perfect. This is a great moment for CIOs, and I urged them to seize the opportunity while it lasts.

The Big Shift Embraces and Accepts the Realities of Customer-Centric IT

I recently spoke with Bask Iyer, a respected IT thought leader and good friend. Bask is CIO and SVP at Juniper Networks, where he oversees technology and business operations for the \$4.4 billion company.

Bask has more than 25 years of experience in global business and IT management, and I value his perspective on the market. He said B2B (business-to-business) companies are coping with rising expectations from customers who have grown accustomed to the kind of user experiences provided by B2C (business-to-consumer) companies. “We believe that every company is a B2C business, even if it doesn’t sell directly to the end user. Eventually, what you’re selling is used by a consumer. So in that sense, we’re all B2Cs.”

B2B customers now expect the same level of service and reliability they would get from a B2C company. “For example, when you order something from Amazon, you point, click, and pay for it with a credit card. They give you a shipping date, a delivery date, and 99 percent of the time, it’s shipped on the date that they promised,” says Bask. “Even if you’re not a B2C, people expect you to provide a similar kind of customer experience. If they don’t get it, they find another provider.”

Progressive IT leaders understand the world has changed. Like Bask, they accept the fact that *all* customers now expect higher levels of service and seamless user experiences.

They embrace the new reality of customer-centric IT. From my perspective, it's all part of the big shift—the transformation of IT from an inward-looking technology function to an outward-looking business process that drives and enables real value for the modern enterprise.

CIO Focus Shifts from Creating Internal Productivity to Driving External Value

I had an excellent conversation with my friend Mike Fitz, vice president of business solutions at Sprint, about the business impact of the big shift in CIO leadership and how the changing focus of IT is helping more companies drive new revenue in competitive markets.

“The role of the CIO is evolving from an internal focus on employee productivity to an external focus on growing the business,” Mike says. “It’s not a total break with the past. CIOs are still interested in helping employees become more productive through better use of technology. That hasn’t changed. But what has changed dramatically is that more CIOs are stepping up and using new technology to drive revenue for their companies. That’s the big shift, from our perspective.”

Social media, big data, cloud, and mobile have been game changers. But those newer technologies have also raised the bar, and expectations are now significantly higher than in the past. “Ten or 15 years ago, the CIO could say, ‘Wow, look at how many of our employees have e-mail,’ and it would have been a big deal. Today, it’s not such a big deal. The modern

CIO has ‘graduated’ from providing technology just for the sake of improved productivity,” Mike says.

I think that Mike makes an excellent point. The idea of building a business on productivity by itself has become an old-fashioned idea. That’s not to say that productivity isn’t important—but the modern enterprise relies on more than productivity to achieve long-term business success in competitive markets.

“That realization has created some great business opportunities for us here at Sprint,” Mike says. “We offer turnkey capabilities that enable CIOs to help employees become more productive. We also offer technologies and services that help companies grow their revenue.”

From my perspective, the “biturcated” approach developed by Mike and his team represents a highly logical response to the genuine needs of modern CIOs. It clearly reflects the progression of IT leadership as it evolves from focusing purely on productivity enhancements to focusing more broadly on achieving business results that are aligned with enterprise strategy.

Mike has captured the essence of the shift in IT leadership. Today’s CIO is much more than a technology person engaged in a series of either/or scenarios. The modern CIO operates in full partnership with the C-suite, and is perceived as a valuable source of expert knowledge that is applied primarily to growing the business. Productivity is still important,

but generating revenue for the enterprise has become the CIO's preeminent focus.

Competitive Success Is Linked to Collaboration and Innovation

GE Global Innovation Barometer 2014, issued in mid-2014, reveals a key shift in attitude among top executives. Unlike previous surveys, the new study shows that executives seem ready to take greater risks in the race for competitive advantage. The report is definitely worth reading, and it confirms my informal observations over the past 24 months.

There's definitely a strong consensus emerging about the critical links between collaboration, innovation, and market success. The report also supports the idea of the big shift, in which companies focus the bulk of their energy and attention on creating excellent experiences for their customers, particularly in highly competitive and rapidly evolving markets.

"Executives believe that efficient and successful innovation hinges on three factors: understanding customers and anticipating market evolutions (84%); attracting and retaining the most talented and skilled employees (79%); and quickly adopting emerging technologies (67%)," the report states.³

The report notes that "big data has evolved from a buzzword to an important tool in the innovation process, albeit one that executives recognize poses certain difficulties.

While 70% of businesses see big data as critical to optimize business efficiency, 61% believe it will be a real challenge to implement. For those who utilize it, 69% see added value for the innovation process.”⁴

Frankly, most of the CIOs and IT leaders I speak with have already invested in some form of advanced analytics that feed on big data sources. Almost everyone I meet is interested in learning more about big data and the technologies around it.

The report also touches on the potential impact of the Internet of Things (IoT), which GE often refers to as the *Industrial Internet*, or the concept that anything electronic can be connected to the Internet. Whatever you call it, the phenomenon is growing quickly and will soon become inescapable. Some experts predict that by the end of 2020, the IoT will connect 212 billion “things,” ranging from diesel locomotives and jet engines to thermostats and refrigerators.

“The Industrial Internet is an emerging concept but positively received, with half agreeing that it will drive innovation success in the future. But only one in four feels prepared to use it,” according to the GE report.

There are numerous opportunities here for IT leaders who are willing to seize them. Will you be ready when those opportunities arise? The key to readiness is fairly straightforward: You need to understand the relationship between

collaboration, innovation, and competitive success, and then make sure you have the pieces in place to move forward with speed and confidence.

Shifting Consumer Demands Require CIOs to Adjust to the Experience Economy

Most of what I've written about the big shift in IT leadership has focused on the changing relationships between the CIO and other key executives in the enterprise.

The big shift, however, is driven by fundamental changes in the broader economy, and it's important not to lose sight of the bigger picture. From a high-level perspective, the big shift is one element in a gradual transformation of the globalized consumer economy away from products and toward experiences.

As consumers shift their attention from buying products to buying experiences, the focus of the enterprise also must shift. For the CIO, the shift from a product-based economy to an experience-based economy represents a challenge of truly epic proportions. It's no longer enough for a company to offer great products or services—now it must also offer great experiences.

Empowered consumers have higher demands. Armed with personal computers (PCs), laptops, and mobile devices, customers can reach out and touch any company at any time

of night or day. That means that companies must be ready to meet the expectations of their customers on a 24/7/365 basis. In the networked consumer economy, downtime is intolerable.

The notion of zero downtime puts enormous pressure on the CIO to deliver flawless IT around the clock. Suddenly, the CIO has a much heavier burden and, truthfully, many CIOs seem unprepared.

When I entered the industry, the role of IT was primarily focused on helping the accounting department close its books and generate financial reports for the C-suite. Those days are long past, but some of us are still acting as if they might return.

Like it or not, the arrow of time only flies in one direction. We have to get ourselves accustomed to the new environment of empowered consumers and their elevated demands. The good news is that the *experience economy* actually plays to the strengths of IT, since many of the experiences that customer demand can only be delivered through advanced digital technologies.

As IT leaders, we need to do a better job of aligning ourselves with our peers in research and development, product development, manufacturing, marketing, sales, distribution, and service—those are the parts of the enterprise that really need our help and expertise.

We have a lot to offer. But we've got to step up and join the battle. The good old days are gone. We've got to offer creative and effective solutions for dealing with the realities of the present, or we'll quickly become part of the past.

Shifting Consumer Economy Raises the Bar for CIOs

The transformation of the consumer economy away from products and toward experiences isn't merely an interesting phenomenon—it will require a corresponding shift in how CIOs plan strategy and lead their organizations.

I strongly believe that shift in strategy and leadership could easily become the most profound and long-lasting transformation in the history of information technology industry.

Here's why: Delivering great products is easier than delivering great experiences. Once a product is manufactured, it's probably going to work as advertised until it breaks or wears out. When you focus on experiences, however, you need to deliver a product (whether it's made of atoms or electrons) that works and delights the consumer. Suddenly, the bar for success is much higher.

CIOs will be involved intimately in the process of helping their companies meet those new—and significantly higher—levels of consumer expectations. CIOs must be

prepared to help their companies achieve those newer and higher levels, or suffer the consequences.

Until very recently, the typical buying experience began with consumers going to stores or shopping malls and physically interacting with products. For most consumers, the buying experience no longer works that way.

Today, the modern consumer experience begins on a laptop or mobile device. That means that the typical consumer begins his or her relationship with your company by interacting with IT. It is not a stretch or an exaggeration to say that IT has become the store. In fact, it's become the whole store! Consumers not only interact with products from their laptops or mobile devices, they change the colors and sizes, they "try them on," they choose the speed and method by which they are delivered, and, of course, they pay for them via credit, debit, or a variety of new payment technologies.

Two years ago, CIOs were satisfied to help their companies complete transactions online. Today, the expectations are much higher. In addition to enabling simple sales transactions, CIOs must help their companies digitize all of the steps required for a successful consumer experience. It's a long and highly fluid process that includes product design, materials sourcing, manufacturing, marketing, sales, fulfillment, and customer support.

It's a tall order, but that's the new reality of the big shift in consumerism. In the modern economy, the CIO is absolutely

indispensable and critical to the success of the business. Are you ready to leap over the higher bar?

Case Closed: IT Still Matters

As most of us know, Nicholas Carr wrote an article in 2003 titled “IT Doesn’t Matter,” followed by a book in 2004 titled *Does IT Matter?*⁵ For years, it was common for people in the IT industry to debate the accuracy of Carr’s vision and to question to the relevancy of the IT function.

Thankfully, I think we can agree today that the matter is settled. IT does matter, and it matters more than ever. When Carr wrote his article and book, very few people were thinking about the long-term effects of newer technology trends such as cloud, mobile, and social. Outside of Google, almost nobody was considering the impact of big data on IT infrastructure. The term *Internet of Things* hadn’t been invented, and few people believed that machine-to-machine (M2M) interactions would contribute significantly to Internet traffic.

Most important, Carr failed to anticipate the enormous impact of the consumerization of advanced technology. Nobody, including Carr, foresaw the mobile revolution. I don’t think that Steve Jobs even realized how radically the iPhone would change the world. The incredibly rapid adoption of mobile devices has profoundly transformed the way we look at technology. Far from killing IT, consumerization has made IT even more central to our lives!

Does IT still matter? Yes, most definitely, and more than ever before. From my perspective, the outcome of business competition is determined to a major extent by technology, either directly or indirectly. Great CIOs leverage new technologies to create strong competitive advantages in rapidly changing global markets. They also take a proactive role in leading the transformation from internally focused IT to customer-centric, socially connected information platforms that drive revenue and generate real value for the business.

I think it's fair to say that IT is more relevant and more necessary now than it was 10 years ago. Ten years ago, IT still operated largely within the boundaries of the enterprise. Today, we all compete in markets that are driven by technology-savvy customers. Those customers expect and demand the best that technology can offer. IT isn't just one piece of a process—we're a core part of the solution! We are the strategy, and we will deliver the results the business needs.

Think about how much the world has changed since Carr wrote that article. Those of us in the IT industry are riding a truly unique wave of innovation and transformation. Let's enjoy the ride!

Notes

1. See "Moving from the Back Office to the Front Lines," CIO Insights from the Global C-Suite Study, © IBM Corporation 2013. Available at <http://public.dhe.ibm.com/common/ssi/ecm/gb/en/gbe03580usen/GBE03580USEN.PDF>.

2. For more information, read this short article from MIT Technology Review. Antonio Regalado, "Technology Is Wiping Out Companies Faster than Ever," MIT Technology Review (September 10, 2013), <http://www.technologyreview.com/view/519226/technology-is-wiping-out-companies-faster-than-ever/>.
3. Ideas Lab, GE Global Innovation Barometer 2014, © General Electric Company 2014, <http://www.ideaslaboratory.com/projects/innovation-barometer-2014/>.
4. Ibid.
5. See Nicholas Carr, "*IT Doesn't Matter*," Harvard Business Review (July 2003), and *Does IT Matter? Information Technology and the Corrosion of Competitive Advantage* (Boston: Harvard Business School Publishing, 2004).

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