



Executive Perspective

ALIGNING IT WITH BUSINESS

Cisco IT executives discuss evolving expectations and opportunities.

A recent survey of 300 worldwide executives revealed that business managers and IT professionals perceive the future role of IT departments differently. C-level executives, for example, anticipate that IT's focus will move away from cost containment to responsibility for revenue generation. IT personnel, however, are skeptical that their cost-control responsibilities will disappear anytime soon.

Independent IT industry editor and analyst Joanie Wexler sat down with Lance Perry and David Aungle, both vice presidents in Cisco's Information Technology Group, to discuss the trends uncovered by the study and how IT professionals might best position themselves for the future. The survey was conducted by the Economic Intelligence Unit (EIU) for the Global Technology Forum (GTF), a program for executives co-sponsored by Cisco Systems, Capgemini, SAP, and the EIU that explores the intersection of business and technology.

How realistic is it that IT departments will no longer be held accountable for cost containment when asked to focus on building revenue for their employers?

PERRY: I think it's completely unrealistic. We will see continued IT focus on cost containment. What will get added is looking across the business for opportunities to simplify business processes and to make it easier for customers to work with your company.

AUNGLE: I think that the CEO and other business leaders expect IT to be led cost effectively, but that will be merely the price of entry for IT professionals going forward. There's a generation of business leaders now who have grown up with technology in a way that the previous generation didn't. Those business leaders understand instinctively that there's a significant role that IT can play beyond being just a cost center—one that involves bringing value to the front office and to cross-functional process integration.

If IT professionals do remain responsible for cost containment, how they can organize themselves to juggle both jobs effectively?

PERRY: IT professionals need to gain more business acumen in the function that they support. So, if you're going to be a professional in IT for the finance organization, you and your company will be much better served if you have a finance background. Potentially, a degree in finance would allow you to come to the table regarded as a trusted advisor—someone who not only can offer technology solutions, but strategic business solutions, as well, and who will be fluent in how the technology marries that business solution.

AUNGLE: The other piece is to stay on top of how well we are managing our utilization of capacity [for compute and networking resources]. How cost-effectively are we getting a return from that capacity? Do we have the right metrics to know if we are getting good utilization of the high spend on disk storage? Are we monitoring and measuring how effectively we're using network bandwidth? That kind of day in, day out

operational focus will help an organization ensure that it's meeting the baseline business expectation for cost effectiveness.

That having been said, how do you think the traditional IT department is likely to evolve organizationally over the next few years?

PERRY: There will be more development happening within the different business units. But that creates an interesting challenge: Who's going to be the cross-functional 'glue?' At Cisco, we've formed a group called the Business Process Operations Council, which looks at the cross-functional needs of the company. The CIO sits on its board, as well as members of each named business line. Together, we determine the biggest priorities for the company and how IT can deliver end-to-end business process benefits. In the past, IT has been asked to deliver more 'stovepipe' functions.

AUNGLE: IT needs to guide [the cross-functional discussions] in a way that enables these top business priorities, identifies some of the interdependencies between them, and determines tradeoff decisions that might have to be made. IT might also lend sequencing advice; for instance, you might not be able to begin your CRM initiative until you've addressed certain foundational priorities.

Will all IT personnel be absorbed into business units?

PERRY: I don't think so. Think about it: If there were no organization to handle the change management of your networks or data centers, it would be chaos. So there really needs to be a group that manages capacity and services, and I see that remaining the traditional part of IT. Groups may decide to outsource that function, but I would certainly recommend that they continue to focus on architecture and never give that away.

AUNGLE: There's a point of view that says that IT might 'disappear.' I don't believe that's the case. I think that the complexity of the integrated technology platform that any company runs on must be managed with professionalism. But there is an increasing movement towards breaking down barriers between the business and IT.

So there would be a core IT group, either in-house or outsourced, that would make decisions about corporate IT standards and architectures. Then, there would also be IT folks out in the business units getting very close to the business problems that need to be solved?

PERRY: Yes, the developers would be very much part of the business units. They'll have to collaborate with each other, and the infrastructure group will, in turn, need to understand their business drivers to deliver technology solutions.

AUNGLE: Going forward, it will be very important that IT leaders not operate as if we're waiting for an invitation [to participate in business decisions]. You have to come to the table with an end-to-end perspective of how a transaction crosses every part of the company, from the time that a customer first expresses interest in a product through product shipment. Similar requirements exist for service-oriented businesses.

In that vein, do you think that the CEO's vision for the IT department is in sync with the CIO and IT manager's vision of their roles?

AUNGLE: Well, I think that quite often the CEO's vision for the company is not closely connected to the IT organization's strategy. And that doesn't mean that either one is wrong. What it means is that the IT organization needs to work on expressing what an IT strategy enables in terms that resound with the business managers and the CEO.

It's also true that business expectations about what IT can do are very high. It's a great opportunity for IT professionals to step up to that expectation. We have to do it in a way in which we are making sure the expectations, of course, can be met. Sometimes that means challenging ourselves in how we look at managing risk. Quite often, the expectation can be met if you're willing to accept a certain level of risk. The risk-reward tradeoff is something CIOs and other IT leaders need to be clear about.

CEOs seem to think acquiring new technologies will be a big contributor to aligning IT with the business goals going forward. Can you think of any practical examples of this?

PERRY: One would be rich media: tying voice, video, and data all together in a seamless offering so that employees can collaborate remotely. I think a big criterion determining whether employees stay at companies has become work-life balance. If you can provide the ability for employees to do their jobs from home and other locations, you've empowered your company to get more from employees, both from a performance and loyalty perspective.

Lance, you mentioned work-life balance and quality of life a few times. Do those issues qualify as strategic business goals for companies?

PERRY: Yes, I think the most important thing IT professionals need to care about is their people and quality-of-life issues. Employees are our number one asset, and if you can keep your attrition rates low, you don't have to continually reinvest in new employees. It's a win for everyone.

Going forward, what experience would you advise being on a CIO's *curriculum vitae*? Are the skill sets and roles going to change significantly?

PERRY: Yes, I think the roles will change. In the past, IT has played three roles: saving money, getting new technologies in place, and being a leader. The fourth role I see being added is that of business expert: being able to understand your company's business, influence business processes, and bring in technologies that support those new business processes.

AUNGLE: We will increasingly see IT leadership having direct business operations experience on their resumes. I think those with traditional IT responsibilities have sometimes been narrower in scope than they need to be going forward. Network engineers are much more capable of adding value, for example, if they understand the value of the applications riding over the network. Database administrators add value if they understand how their decisions affect how storage is bought and provisioned. Then there's also a breadth of perspective that we want in each technology area, because the technologies are all coming together.

How will professionals gain all this expertise? Corporate training? Special certification classes?

AUNGLE: Yes, but there's also a lot of power in career development; in being proactive about rotating people into different areas. There's also a lot of power in involving people in a decision for which they may play a supporting role. For instance, here at Cisco, we have a virtual team of our senior architects. And those senior architects review all the top projects that could potentially impact our infrastructure, whether or not it directly impacts their domain. In doing so, they learn to broaden their perspective. Sometimes we hire, but a lot of the time we nurture.

Will we see the CIO joining corporate boards anytime in the near future?

PERRY: I see many CIOs on corporate boards today. I think that trend will expand greatly, because think about where CIOs sit: in a position where they see all the business functions of the company. They're very much in the catbird seat and can bring tremendous value to a board.

There seems to be a bit of expectations gap between how CEOs view IT's role in the future versus how IT views its ongoing role. How should IT resolve this?

PERRY: During the [2000-2001 economic] downturn, there was so much focus on cost containment that many CIOs began to consider that their primary job. That was a point in time when we needed to save money, and we did. Now, the CEO is saying we need more business value from IT. This is the most exciting time ever in the industry for a CIO. Sure, you're going to be doing your job saving money, but you'll also be shaping your company and actually driving growth. This is not a place where CIOs have sat before.

Any advice for success?

PERRY: The one characteristic you have to display more than anything else is courage. I think the survey spoke for itself when it said that CEOs are counting on their CIOs and the IT department to help drive growth and innovation. So be courageous, have ideas. Accept that not all of them will be adopted. But really drive those ideas that you think are most important for your company. Consider creating a council that helps you look across all the business functions to help prioritize your work.

AUNGLE: There are many leading companies that bring this kind of collective perspective and decision making to the table. They are companies that are very successful in their industries, global players or not.

Many of these trends that we've discussing emerged from a survey taken for the Global Technology Forum by the Economic Intelligence Unit. What was the biggest takeaway from the survey for you?

PERRY: I've always thought that IT was going to evolve into a more strategic partner for the business, and the survey and subsequent roundtable discussions about it really validated that for me.

AUNGLE: I've learned that the expectations held by CEOs and other business leaders create an unparalleled opportunity for IT to add value to the business. I think the door is being opened to us to demonstrate what we

can do. That can feel like a double-edged sword to a lot of professionals. So my advice to myself and to my peers is to demonstrate managerial courage and a willingness to be clear about risks.

For more information regarding the Global Technology Forum, visit <http://globaltechforum.eiu.com/> or www.cisco.com/go/gtf.

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