EARNING THE RIGHT

Why is it that two thirds of the CIO’s in the US were fired last year? Why is it that the average tenure for a CIO in America is 18 months? And why is it that the lion’s share of CEOs that I meet say that they are frustrated and disappointed with their IT even as they are investing more time and resources in it?

Most business managers clearly see that the successful application of IT will be increasingly important to their success. New IT capabilities are changing the basis of competition, restructuring value chains to re-arrange the ways customers, distributors and suppliers relate, expanding geographic scope and enabling new forms of virtual organization.

However, executives are questioning the continual need for additional IT investment, especially as product lifecycles are now measured in months, and many perceive IT projects as still being measured in years. They continue to be frustrated with schedule slips, overruns and complaints of poor service quality. From their perspective, IT is struggling to deliver consistently reliable services, at predictable costs, and keep up with new business requirements. The reality is that information systems advances have outpaced the development of IT management skills, processes and reporting systems.

It also appears that the relationship between the IT group and its internal customers has become less and less fact-based. Trade-offs between cost and service levels are rarely understood by either users or IT managers. Few organizations know the cost per electronic mail message or the true cost per transaction for applications based on newer IT platforms, data which was available in great detail for mainframe systems and voice services. Few organizations can report on response time or availability at the level of business critical services. Without good data, anecdote and subjective impressions take over.

Much is made in the press of the gap - the expectation gap - between what the business executives are asking of IT, and what
the IT executives are delivering. Another popular topic is the evolving role of the CIO, and the degree to which that position, or its particular incumbent, is viewed by the boardroom as a bona fide business executive. The reality is that until any individual CIO is seen to be able to run his or her business as a business, the boardroom will be leery about letting the CIO have a greater role to play in running theirs. The CIO must earn that right.

Step One

The first step towards earning the right is to review, and if necessary re-state, what has already been delivered. We need to forget the features/functions of the systems that we have delivered and quantify the business value. Forget telling the business how many terabytes of information are being moved everyday or how many users are on the LAN. What I mean is to conduct a business analysis of what has been delivered. What is the ROI for the systems that have been implemented? By how much have we reduced inventories? How much quicker were we able to get products to market? Can we close the books 3 days earlier for the month end? What has this meant in terms of cost savings or new revenue creation? In short, what has been the impact on the business? By focusing on what has been delivered, the information executive can get the resources and support necessary to work towards a more strategic partnership with the business constituency.

Step Two

The second step to closing the gap is to radically change the delivery mechanism. In the past, information executives were asked to implement systems to support the old, stable business strategies. Such things as brand name reliance and staying with a present business line were static strategies that could be adequately supported by large, centralized, unchanging information systems. Today, the rate of change in business has changed. While there has always been change in business, it is the rate of change that has changed.

And so, the requirements of information technology to support the business have changed. In the old days, we gathered user specifications, got funding approval, and then implemented a system in 12 to 18 months. So having gathered the specs we would take leave of the business users and 18 months later we would implement what we thought they had told us they wanted a year or so earlier. With the old business strategies, this was almost satisfactory.

Today, when the information executive comes back in 18 months, the business strategies have changed, the business user is frustrated, and two times out of three, the information executive is looking for a new job. The old way of delivering systems needs to change.

Liz Claiborne
A cut above the competition

Founded in 1976 by fashion designer Liz Claiborne, her husband and two partners, the New Jersey fashion design shop quickly migrated to success which didn't let up until sales began to hover at the $2 billion mark 16 years later. To invigorate the company after two years of level earnings, Paul R. Channon was brought in to take the company's helm. Channon listened to employees, suppliers and retail partners, then set a course to transform the company perhaps too used to easy success into a leaner, more cost-effective and competitive company.

John Thompson joined Liz Claiborne as senior Vice President and COO to head IT's leadership role in taking the company through this transformation. Previously VP Systems and Customer Service at the VP Corporation the makers of Lee jeans and an Executive VP at Goody's, the South Eastern family clothing chain, John said, "Coming in to this position I was fortunate to have a pretty gifted CEO who understood the value of IT, and what it would take to lead a technology transformation. Liz Claiborne had a healthy balance sheet, and we in IT were able to start the transformation process from a position of commercial strength, not as a necessity for survival."

The company's enterprise reengineering campaign, called LizFirst, was thus born to create a chain of change in responsiveness, service, and total value. To deliver the cycle-time reductions mandated by this corporate-wide reengineering campaign, Liz Claiborne's Information Systems organization was given the directive to deliver applications for the next millennium.

"Using established methodologies, and with the objective of eliminating complexity, cost and time, we took the business through the entire change process, which led to some logical IT conclusions. We started with our business strategy, evaluated the core business processes, examined supporting technologies, and we factored in the structural changes required," said Thompson. "So when we came to IT selections, all decisions were driven by our IT strategy that had been defined in the context of the business. We established our statement of direction, and then went about the selection of technologies and partners.

"We also adopted a policy of 'replace not repair'. Some of our existing applications were constraining business growth and simply inappropriate for the collaborative, knowledge sharing organization we wanted to be. Furthermore in our legacy applications was simply not an option," John added.

John came into Liz Claiborne with a clear, acknowledged mandate for supporting its transformation. But he has also continued to 'earn the right' for IT as a whole through his seat on the Executive Committee and the company's Transformation 2000 board. The goal of Transformation 2000 is to implement a fully updated, open corporate computing infrastructure and a new data warehouse accessible by Liz Claiborne's worldwide entities. The board comprises the COO, president, CFO, senior VP of Human Resources, senior VP of Manufacturing, two divisional Presidents and John. "I think the CIO should always have a proactive role in bringing solutions to the board," he says, "but the business should always be the executive sponsor, and IT the facilitator."

In addition, to understand the needs of his business constituencies at a grass-root level, build credibility for IT and then fulfill an advocate role back into IT, John holds regular town meetings the sometimes calls it 'pain management'... several levels down in the business units.

And what of the results? We're positioning ourselves to meet the growing, sophisticated needs of the retail industry and supply chain," says Thompson. LizFirst has already resulted in a 40% reduction in excess inventory, 25% cycle-time reductions in some business processes, and a cost reduction of $180 million over the last three years. When T.2000 is complete we anticipate a dramatic improvement in responsiveness to customers as measured in timeliness, accuracy and completeness of shipments."

"Liz Claiborne is developing a multi-brand portfolio strategy which allows us to sell to all segments of the marketplace, and the ability to control inventory and maximize margins across all brands, which may have very different marketing, distribution and pricing strategies, is critical. Excellence in supply chain management is a business fundamental in our business," Thompson added.

"And from an IT point of view, I want to see us leverage this $2 billion plus entity, by capturing the synergies across all of our operating divisions."
As information executives we need to design systems not for stability but for dynamism. We need to have an architecture that is flexible, open, and standards based. We need to build each system with a larger reusable framework in mind. We need to involve the user in the process and we need to deliver iterative systems that take no longer than four to six months to implement. If we can change the delivery mechanism we will empower the business executives and provide value to the organization.

**Step Three**

The third step is to set and manage expectations with the business community. This is not a one time, reactive measure; it needs to be proactive and continual. Managing expectations correctly allows the information side of the business to be viewed as a successful value center instead of as a failing cost center.

The setting and management of expectations includes many aspects - not the least of which is the language and context already mentioned. At the Cambridge Technology Group we have conducted several studies to get at the root of the problem. In one study we asked a group of business and information executives what their main concern was regarding the use of information technology. The information executives responded with answers such as, security, performance, and scalability. The business executives came back with answers such as creating competitive advantage, return on investment, and supply chain optimization.

Another aspect is that of clearly quantifying what will be delivered - putting the relationship back on a fact-basis so that scurrilous rumor-mongering and subjective impressions are either not possible, or at least can be met head-on with hard data. Response times, transactions costs, service levels must all be codified and form the basis for service delivery. And taking it to the next step of clearly recording investment / functionality or investment / service level trade-offs in quantified business benefits will also help drive the correct investment level to achieve business imperatives.

**Building customer-focus**

Implicit in all these three steps is a clear communications and relationship development strategy - the building of a customer-focused organization. Processes and tools have to be put in place to build consistent lines of communication inside and outside the IT department, and every IT team member must realize that they are both ambassadors and evangelists for IT to the business. In larger organizations it is worth considering account manager or relationship manager roles, who become responsible for service delivery to a group of users and an advocate for their needs back to IT.

Finding people who can successfully bridge the gap between the business and information technology is not an easy task. The development of professionals who are effective at this intermediary role is nonetheless critical to the continued success of the IT organization. If it is possible, one of the best ways to accelerate this process is to recruit internal customers into the IT organization to become some of the first account managers.

Improving the relationships with internal customers requires more than just acquiring new skills. It requires real behavior change on the part of staff throughout the organization and the instilling of a customer-focused culture within the IT organization. Such cultural change takes time, frequent and serious communication efforts, as well as adoption of performance measures tied to staff compensation.

**Conclusion**

This is not an à la carte menu. If we only focus on what has been delivered and don't change the delivery mechanism, we will never meet even the best managed expectations. If we only change the delivery mechanism and don't manage expectations, we will have only accelerated our inability to satisfy the business users. Finally, if we only manage expectations and don't focus on what has been delivered and don't change the delivery mechanism, expectations for information technology become zero and we get fired.

Remember, it will never be business as usual again. If we do not take steps to position IS and the IT services it delivers clearly in the context of business value, the ominous growing credibility gulf between business users and IT professionals will continue. Every decision by IT managers will be questioned and every problem add more strain the relationship. This loss in confidence will be further fueled by the urgency of the need for new and improved information systems, and the lack of good customer service skills in many IT groups. Once this cycle of mistrust begins, it takes a great deal of effort to repair the relationship between the IT department and its internal customers.