“CIOs Have to be Change Managers”

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Mark Lutchen, leader of the PwC IT Business Risk Management Practice, participated in the e-business Center PwC&IESE Event with a speech that emphasized the need for IT to be an integral and inseparable part of the business strategy.

You have written a book under the title *Managing IT as a Business*. Do you think that most companies understand the importance of managing their IT organizations as a business?

Well, I think if you look at the evolution of IT and how it’s progressed, most companies started out looking at only the technical sides and the first stage of doing certain technical things. Then, as it evolved and more and more things were automated, from financial systems to ERP systems, the companies have assumed that business is now being done in IT. The executives of the company didn’t understand what was happening in IT, and the CIOs said, ‘We’ll take care of it.’ And then the numbers grew and grew. What you will see is, as the cost has grown, to very large numbers, that people are a lot more concerned over how that is being managed.

I don’t think that managing it as a business has been something until recently. I’d say it was this way until two things happened: one is when in the late nineties, when everybody was looking at Y2K, many CIOs used Y2K as an excuse to increase their budgets for things that had nothing to do with Y2K. And then the technology bubble burst, so everybody now had to reduce costs, and they looked at IT. I think both of those things together created this lack of trust.

So I think the rule was that IT wasn’t enlarged the way the rest of the business was. And so even in very large companies, it’s only just started. They’ve done pieces of it, but they have to look at all the components of their plans, which is not just the technology or how you align it to the business, but also how you have the information to support that, the visibility, how you have the performance measurements in place, and how you actually apply other disciplines to it.

Could you give us an example of these kind of practices?

There are good examples where companies didn’t understand the connection with the business when they tried to implement, let’s say, a big IT system, at the wrong time of the year, when all the deliveries had happened, and they turned it on live and things went wrong and they couldn’t deliver the product, and therefore it had a direct impact on the revenue and on the bottom line.

Meanwhile, I think what companies have tried to do was look at it as individual pieces. So, as I said, someone will take on the issue of governance, and they’ll want to do better governance, and that will be the thing they want to focus on, saying “Let’s have better governance and make sure of the link to the business.” But what they won’t do at the
same time is, put the structure in place and try to put the right skills in place.

Or other companies will say we want to understand our costs, so they’ll go through an analysis of saying, here’s where we’re spending the money, but then they don’t put governance by that—they just deal with one part of it. Or they’ll say, we want to improve our skills, and they’ll focus on the people part but they won’t look at the other pieces.

So, I think, it’s just traditional in IT for everybody looking for the next big thing that will fix it all, saying “I want one thing and I want to fix it all”—a solution for everything. But it’s not going to be one thing that’s going to handle it—it never is in managing things.

**How you do think the role of CIO has changed?**

Well, it definitely has moved from people who understood that there were very technical components. I mean, if you look at the profile of a CIO in the nineties, what you see is someone who typically started as a programmer, became a senior programmer, then became a manager of programmers, and maybe did system implementation and some other things, and then all of a sudden one day became the CIO. And if you look at the skills that were needed and how business units just handed something to IT organization, and the CIO was then just responsible on this side of the wall to program it and get it back, that was *OK*. It didn’t work very well in many cases, but it was OK for that time. But now, what’s happened is that the CIO is actually going to have all these other skills that are not technical, they look more like regular executive skills. They have to be able to communicate—simply, not in technical terms; they have to be able to have enough vision to see how to put strategy together, they have to get people to embrace their strategy, on the business side and elsewhere, and within IT. They have to help drive change, so they have to be change managers. They have to change organizations, so they have to deal with organizational behavior and people and skills.

So if you look at all those skills, all those thick manuals they need now, it’s a much bigger role. It’s not just the one; if all you have is that technology part, now you’re missing all the others. Now, how do you get to *become* that instead? I think there are some problems. One is that if this is the equivalent of a CEO job—well, to become a CEO in an organization, normally what would happen is you would play different roles, you would rotate, you would spend some time in finance, in marketing, sales and production, you might spend some time overseas. So you become very well rounded through your experience—you’re basically an apprentice, you know, you’re an apprentice in different roles. And then you come back and now understand how it all fits together and you actually have relationships built. So then, now you really are a CEO. And I think the CIO must do that, and companies should have programs to locate them in different roles.

**Do you think that rotation is a requirement?**

Not always. In my case it was different, I was in the business, you know, working in our business as a consultant, so I understood the business and didn’t need to go around. I understood what we did in auditing and tax and consulting. And then I could be the CIO
because the kind of consulting I did was based on the technology. But if you don’t have that, if you don’t have the technical component and the business component together, I don’t know how you could actually do a good job.

There are different ways that CIOs can gain that experience. The ones that don’t have it today understand they need to have it. So a CIO will travel, through the different business units. And many people will come in and spend a day or two in the location and then they’ll move on. So they’ll maybe talk to some executives there, and some of the IT people there, maybe they’ll even go out and walk around the plant, walk around the distribution center, but they don’t understand what it means. What they should do is go spend two weeks there, OK? Not a day—go spend two weeks at that location and do some of the jobs that people are doing. Or if it’s a distribution route, ride on the truck, so you understand what the problems are and how technology is being used and what they can’t get—understand their mobility problems. And that’s something that I don’t think CIOs actually see, but they need to. You see, what they’re doing is building their credibility with the business by doing that, and then the business people will understand that they really are trying to understand the problems of the business and not just delegate it somebody else, but that when something is discussed, they actually have a good reference point, a real reference point… I know what it takes to close the books, because I helped—I’ve been there with you when you close the books. I know how long it takes, I know how to reduce that process, I know what the problems are with hand-held devices and why you can’t get signals when you’re driving… I’m just giving you, as the technology person, well, here’s the device—it should work. But you don’t understand when it doesn’t work, and what you have to do and what the problems are. And so if they don’t get a deeper understanding of the business, they’re not going to be able to help the business.

The other question I would have is: Are we training—teaching—in the universities, the people who are going to be the CIOs of tomorrow, enough about the management part? Enough about these other skills? Are we really giving them enough of the culture-change aspects that they have to handle? The skills management? Building competency matrices, building skills-development programs? Are we giving them enough training in communications and marketing? Understanding how to use marketing and communications in IT? I’m not sure we’re doing that yet. We’re starting to, maybe a little bit.

**The majority of CIOs are only worried about economic costs. When making IT decisions, what other considerations should they have in mind?**

Well, I think it’s interesting if you take a look at the different groups that affect a decision that’s going to be made. So on one side, you have the IT people, who are very often focused on what’s it going to do to my technology, infrastructure, architecture. You’ve got the business people, who are saying, well I don’t really care what happens…, you know, I just care about what you’re going to give me for the business and is it going to be cost-effective. And the finance people, whose only view is give me the cheapest ref, right? And somehow you have to deliver the answer that actually balances all three, which is why, when a decision is made, it can’t be made alone. What the governance model has to look at, is how do we collectively make these decisions, because in the end if we do this, it means the best for the company, not just one department of the company.
Governance isn’t just a set of project priorities; it’s having the information there constantly, so people can see the impact of what they’re doing.

**How can CIOs and other company executives communicate more effectively?**

One of the problems that many CIOs have is that they grew up as the technical people. I guess if communications was a very strong capability they had, they probably wouldn’t be in with the technicians, because they’d be out—they’d be marketing people. So you’ve got to recognize that they have difficulties and then when they do communicate, what they do is take everything they’ve done… It’s sad to see sometimes, but often I’ve seen some really excellent work done in IT, but the business perception of it is poor because they haven’t actually been able to communicate what they’ve done.

So part of what has to happen is that IT people will see things from their IT side, business people will always see things from the business side, and so how do you translate that? How do you communicate this? One way to translate it in that lens is understanding that there’s more than just the technical part and understanding that there’s a liaison part to the business, understanding that there’s a cost part, an innovation part, and be able to communicate about all those pieces. So what are we doing in innovation, what are we doing about the people and skills?

Also we have to give IT people more training and an opportunity to learn how to communicate. Actually we’re going to have to force them to do that. And on the other side, on the business side, they have to be educated in understanding what IT is trying to say, because they’re not absolved from not having to understand any of it. And so this is always going to be a difficult area. But in the absence of business really stepping up, it falls on IT to do the communication.