CEC Wrap

CIO Transformation Stories:
IT Leaders Discuss Technology and Business Transformation

Key Points from the
CIO Executive Council Webcast

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IT organization transformation can be categorized into three buckets, according to executive recruiter and *CIO.com* columnist **Martha Heller:**

1. **Technology transformation**, because legacy begins the day you put something in, although making changes and modernizing systems can be compared to changing an engine in a moving car; or, an iceberg, where the tip of the iceberg is the fun, new stuff, and the heavy base is the insecure, bloated, expensive stuff.

2. **IT capabilities transformation.** This is one is the toughest since you're trying to take an IT organization that's grown up one way and have them act in another way. When technology is the business and technology belongs to everyone, what does that mean for IT? Whatever it means, it means the CIO has to restructure IT to be able to distribute technology, leadership, and investment decisions across the enterprise.

3. **Business Transformation**, which is what the other two are in service of. CIOs are business leaders who manage the IT function. They are fully engaged in business transformation.

In this continuing series on technology and business transformation presented by the CIO Executive Council, Heller talks with three CIOs about their experiences and challenges in leading transformation within their respective organizations. Topics discussed ranged from ideation and getting top-level buy-in to organizational structure and change management. The stories related by these seasoned CIOs as part of this transformation series offer valuable insights into lessons learned and solutions applied.

Executives taking part in the discussion include *Niel Nickolaisen*, CTO of OC Tanner, *Bob Fecteau*, CIO of SAIC and *Doug Porter*, Sr. Vice President of Operations & CIO of Blue Cross Blue Shield Association.

The following is a summary of some key points made during the Webcast, which can be viewed in its entirety by clicking here: CIO Transformation Stories

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Robert Fecteau, CIO, SAIC

Transformation Story: Transforming IT from a decentralized to an enterprise operating model.

Company Snapshot: A $4.5 billion federal systems integrator that services the federal government at high-end technical integration of IT technology, systems technology including vehicle integration (e.i. U. S. Marine Corps). Presently on a mission to transform IT support from a decentralized model federated out to business units into an enterprise center service delivery model that delivers economy of scale and efficiency for the business.

- Previously, we were an organization of "no" and we had to transform to an organization of "how". In order to do that, we had to change the current federated leadership model. We settled on a 'servant leader model', where the leadership in the IT organization actually serves the workforce that supports the company by providing IT services. It's not unlike centralizing the technology side, only we're doing it with people.

- We also had to get a hold of resources and assets, and center on an asset-centric management approach to all the IT investments. The goal was to demonstrate better value by having it run centrally, and deliver more cost efficiency to the business.

- One of the key ways to do that was to track the budgets and how much the expenditures were for all of those, and then build business case analysis for how we can better support them, and then they can support themselves. Also had to deal with, and continue to deal with Shadow IT, which is always a big problem for a centralized operation.

- Also developed a branding campaign for the IT services inside the enterprise – creating a 'four R' organization: responsible, responsive, resourceful and resilient (flexible) in supporting the business needs of the organization.

- One of the key things the Information Technology Operations Team did was to transition from a functional unit into an operational arm of the business. With the support of the CEO and the leadership team, we actually treat ourselves as ops functional.

- Another piece that was important and the biggest part of that was we actually stabilized the labor rates between internal IT and the service line and P&L side. If you have a data analyst in the service line and a data analyst within IT, they now have the same salary and job codes. I can actually move them across, back and forth, in and out of the organization. That was a treaty that I kind of had to get through with one of the line presidents. I said be more flexible and fungible with our labor assets across the enterprise.

- We created this model that was consistent. We took charge and took growth development responsibilities over the shadow IT that was in the service lines at the time. We provided them a growth path forward. Then we focused their mission as delivering those services back to the service line in an integrated way.

Martha: *In getting this newly centralized IT organization SAIC to stop thinking about lines of business and start having more of an enterprise mindset, what are a couple of things you did to get to that cultural part?*

Fecteau : The first is to get your procurement arm and your finance arm in your pocket. You have to get those guys to work with you. Then you have to provide them a picture. That is my responsibility as a CIO is to paint the picture of a vision of what the art of the possible will be.

You also have to be an excellent fiscal and resource manager of the enterprise. If you don't do those two components as I described (identify how to make it work and then deliver the services that do make it work), then I think you're going to be short.

Martha: *Was the leadership of each business unit behind your efforts to consolidate, or did they see it as losing control? Either way, how did you manage getting them on board with the enterprise model?*

Some of the leadership teams had systems that they built themselves and ran their businesses on that they didn't want to give up. What we did is we started de-scoping their funding. They had no choice which direction to go. It also required me to go sell the capability, so to speak, about what we could provide if we were going to support their application.

The final part was the CEO stating at the first senior leadership meeting that the CIO is the person in charge of making sure we buy the right stuff for the business across the enterprise.

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Niel Nickolaisen, CTO/CIO of O.C. Tanner

Transformation Story: Revamping the entire IT organization.

Company Snapshot: O.C. Tanner is in the employee recognition and engagement business. There are about 140-plus people in the IT organization, and approximately 1,500 employees worldwide. Clients are large corporations, public/private sector, medium sized, etc. We do that through two SaaS platforms: one that provides service awards and another for real time performance recognition.

- O.C. Tanner had been generous with where IT money went, but it may not have been spent that well or at least implemented well. Legacy products and platforms were large, monolithic, complex applications, not well architected, poorly built, poorly implemented. They were a train wreck to revise, to touch, to do anything with. For example, ERP and CRM systems were unrecognizable to anybody but us. We hadn't done a lot of ongoing maintenance. A few months after I got here, our voicemail system collapsed.

- The culture inside of IT was rather toxic. It was driven by micromanagement. People needed permission to do anything. As you can imagine, the relationship between IT and the rest of the organization wasn't very good. IT had pretty low credibility. We were really order takers.

- There's a dual role to IT (citing Martha Heller's book, *The CIO Paradox.*) One is to deliver operational excellence because people are depending on IT; second, drive innovation across the business. Not just in technology, but to focus that innovation on what will drive competitive advantage in the marketplace. These two are interdependent. If I'm going to be perceived as a strategic leader, I can't be leading the gang that can't shoot straight. That's why operational excellence matters.

- On the operational excellence side, we had to look immediately at how do we fix the system down time issues we are having with our internal and external customers? We got really good at production change, and started to refactor and modernize our applications stack.

- On the innovation side, years ago I developed a model called "purpose alignment" that's designed to identify where we need to innovate and we accept and embrace the best practices and works of others.

- One of the things I've learned over the years is that I want my authority to come from my influence, not from my position. I want to put purpose over personal agenda. Every interaction I had with anybody, what's the purpose of the organization? What are we trying to achieve? How can I make sure that I have some level of influence in that? Do it all in collaboration with the entire IT team.

- We established early on two goals. One was short term: never apologize for our technology again. In the long term: deliver technology that amazes everyone that sees it.

- Result: There is still a lot to do because it takes a lot of time to change both an internal toxic culture and then an external culture that supported and created and helped this IT mess survive for so many years. But, our influence has grown. Our budgets have gone up double digits both years now and will go up more next year. At our September board meeting when the executive team presented our five strategic initiatives for the company going forward, four of the five were initiated by and are being led by IT.

Martha: *Prioritizing for yourself and your team, and communicating what you're doing and why, are two different things. On the communication piece, how did you let everybody know what you were working on, why, and that the change was coming?*

Nickolaisen: All of the communication I had both inside and outside of IT really addressed two things: what we're doing, and why it matters. Activities include the following:

a. I started sending out just to the executive team an every other week, end of the week update email. Here's what we're working on. Here's why we're working on it. Here's why it matters;
b. Once a month, I would do project reviews with every project team. They would be very short project reviews. I would ask them, what have you gotten done in the last month? What will you get done in the next month? What problems are you having you need me to solve? I also created a visual display of those I called "the swim lane chart" and sent it out to the entire company;

c. We also started holding quarterly what we called "big demo days". We would invite people and we would show them demonstrations, working versions of stuff that we were working on. It was another opportunity to talk about what we were doing and why it mattered. Then we also opened up some 'lunch and learn' sessions.

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Doug Porter, CIO, Blue Cross Blue Shield Association

Transformation Story: Developing an analytics tool for healthcare consumers.

Company Snapshot: The Association of Blue Plans is comprised of 36 independently operating companies plus the Association. We have 105 million members that we serve across the United States, DC, and Puerto Rico. In terms of our structure of the organization, it might be compared to a similar setup in Major League Baseball or the NFL.

We do hold the brand and the service marks nationally. Then we authorize plans for our companies to operate within those service areas. We're more than a trade association. We have a lot of data that flows between companies to create a seamless experience for our members, those that we sell insurance to.

Our information technology teams reside in Chicago, DC, a small team in Maryland. We have about 250 employees. We augment those employees with 300 contractors. They're either on site locally with us or in development centers all on shore. Our technology bridges over 50 data centers together.

- There are several things you have to keep in mind anytime you're working with data, with plans. We hold broad, national, analytic data. Our mission is to serve those plans' interests. We have to do this in a way that respected what I'll call the identified relationships that each of those plans had with their customers, their members, and their contracted providers.

- There is a very broad array of information available – over 1,600 medical treatments that we've got loaded into this information system. Data from over 36 million provider records was used to build this information base (more than 2.3 billion annual medical procedures performed across 20,000 facilities, 540,000 physicians.)

- Issues and challenges include strategic alignment around the use of information for strategic purposes versus juxtaposed up against the appropriate way to do things to make sure that you're maintaining privacy of information, security, and things of that nature.

- Strategies include continuing to collaborate with the plans, making sure that each of our constituents has what they need out of the information that we have. Also a need for more robust analytics to drive either outcomes of those analytics or to create additional transactions that consumers may be interested in or that providers may be interested in.

Martha: *Some companies barely have a data capability set up in their organizations. They've got a couple of data warehouses. They know they've been collecting data. They don't know what to do with it. The question I get is, "Where do we start? Should we have a chief data officer? Should we start with the technical side?" I guess the question as its written here is what advice do you have for CIOs who want to get a data capability started in their companies?*

Porter: I think it comes with some deep insights on what the market needs are, what would be rewarded in the market, and then coming back and being introspective about the data you have. You have to really survey the landscape of your data.

I would say you begin where you stand today and you move forward with the assets that you have. You just start leveraging them to these purposes. One of the things that's interesting about an analytic in particular, you answer one question and it begets the next 10 questions. I would also just advise that as you're thinking about the types of questions you're going to answer when you come to terms with the type of data model you might need, you need to think of the extensibility of the data and the types of questions that might be asked beyond the surface.

Martha: *What tools are you using for data analytics?*

Key things, certainly SaaS or Tableau, Cognos – those are top of mind stack. I will tell you that in some of the analytic environments that we provide, we provide tools for people to facilitate some of their analytics. It's not unusual for them to bring data to that analytic and potentially – I haven't seen a bunch of this – they could bring their own tools to that as well.

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Questions from the audience:

If you're now an enterprise model and you're delivering on an enterprise model, how do you also at the same time continue to provide that line of business support where the needs and the relationships are still going to be unique and individual needs from the individual business units that aren't necessarily going to be served by a thoroughly enterprise model?

Fecteau: One of the agreements I had with the leadership team is to create a structure that allows people to move into the indirect IT and to direct IT to customers. What I mean by that is our job skills, our job codes, and our job levelling is balanced between the leadership that's delivering it to customers and the federal government, for instance, and what's inside of IT.

We created this model that was consistent. We took charge and took growth development responsibilities over the shadow IT that was in the service lines at the time. We provided them a growth path forward. Then we focused their mission as delivering those services back to the service line in an integrated way.

Martha: *The one challenge I see every CIO dealing with all the time is how do you instill accountability into the IT organization? How do you do it, either through influence, tone, and culture, or through structure, governance, and process, and what are the keys to creating a culture of accountability in the organization whether it's in IT or it's in the business?*

Nickolaisen: In terms of the joint accountability, we built a business case. The VP of client services and I went in together and presented the business case. In terms of cost benefit, if you want to use some type of quasi cost benefit approach, or why we are doing this, I will take accountability for the cost side of that, but you need to take accountability for the benefit side. The benefits anticipate and assume process and practice changes that if you're not going to make, we shouldn't do this project.

In a kind, gentle, and loving way, I tell people, "If you're not willing to do that, this is a project we really shouldn't do."

What I try to instill in my folks' minds is this notion of earn your seat at the table. You're not necessarily entitled to that seat because of your title or your stature in the organization. Literally every day you work to earn that seat.

I also want us to approach the engagement with business with more of a proactive, consulting type of mentality. I want to be a reputable person. We want to be heard. In whatever role is occupied, this resonates through the organization.

How do you do that? At the very bottom of this thing you've got operational excellence. As part of operational excellence, the phones had better work, the servers had better work. You'd better be online when you're supposed to. You'd better be apprised of any impacts of the business because a failure there can knock you out of that seat.

One-step up from that, we talk about transformation. This is delivering on the projects and the commitments we've made in the business. Are we or are we not delivering as advertised the scope that we've been promised? If not, once again, that's another thing that can knock you out of that seat at the table.

Martha: *Neil, culture is a big part of what you're doing at O.C. Tanner. Identifying the people who are not just work well in the culture, but create the culture that's part of your vision. They must have to have certain personal attributes. What are they?*

Nickolaisen: We actually defined and built out a leadership training program inside of IT. The categories for the curriculum are leading the learning organization, leading an innovative organization, motivating people, and what are the personal characteristics of a collaborative leader?

We wanted to develop these competencies. That's why we built this program. We do a lot of both soft and hard skills training because we're having to transform not just the technical skills of this team I inherited, but also their ability to lead others in a new way, in a different way, in a very different way from what they've done in the past.

Porter: In terms of attributes for the team in general of leadership, I would highlight, in addition to what's been said, I want people who are curious – curious beyond the work hours that they're here. I think people who are really stellar are lifelong learners. They love what they do. They are in tune with things that are emerging in technology. They can see disruptors on the horizon.

I would just tell you I'd put the point on the table of the lifelong learner, the curious person, steeped in back with deep technical skillsets. I think that combination brings some really good talent to the forefront.