



Looking from the Other Side

Hello, and welcome to the late February 2010 edition of The Infonomics Letter.

One of the most fundamental elements of the guidance provided in ISO 38500 is embedded in its scope statement. It reads: "*This standard provides guiding principles for directors of organisations (including owners, board members, directors, partners, senior executives, or similar) on the effective, efficient and acceptable use of information technology (IT) within their organisation*".

The key word here is "use". It is one of the most deliberately selected and important words in the entire standard. The standard regards IT as a resource, and it is the use of the resource to which the guidance principally pertains. In other words, IT is regarded as a tool of business, and the standard is providing guidance on how the tool should be used.

This is a profoundly different notion to that most often presented in other frameworks and guidance on controlling IT. Most of these frameworks are focused on the development and maintenance of the tool in good working order – which we should regard as the supply side.

ISO 38500 can be applied to the supply side of IT, and when overlaid on established frameworks such as COBIT and ITIL, can serve to provide additional insight and control to the supply activities. But it is when ISO 38500 is used to guide the demand side of organisations that the major benefit emerges.

Consider an analogy: Many motor vehicle manufacturers of today produce efficient, safe and reliable motor vehicles. But these manufacturers do not control the choices of their customers regarding which vehicles they drive, nor the manner in which they drive, nor the tasks to which the vehicles are put. The manufacturer, together with the sales and service agents, provide the supply. The owner and driver determine the demand. If they drive badly, in inappropriate places, or carry inappropriate loads, they are responsible for the consequences, which may include unexpected cost, loss of the vehicle and in some cases, loss of the privilege of holding a driver's licence.

Business leaders are like the car owners. They determine the use of IT in their organisations – if not overtly, then covertly by their behaviour in respect of IT investment. A 2009 report by IBM provides us with a perfect context for discussing these issues in the February 2010 Infonomics Letter.

Kind regards,
Mark Toomey

1 March 2010

International Survey Extended

The Infonomics Governance and Management of Information Technology International Survey was launched on 10 February. Due to strong interest in Europe and to encourage wider participation of standards setting organisations around the world, the survey closing date has been extended by one week, to March 13.

Four survey modules are available to participants. The main module looks at the state of the art and broad market directions for governance of IT from the use perspective established by ISO 38500. The supporting modules look more closely at the management systems which support good governance of IT, the market requirements for guidance and support in governance of IT, and the particular issues and characteristics that apply to small business.

The survey is for everybody, and especially for those on the demand side of the equation. [Launch it here.](#)

The Bloggers are Talking

Awareness of ISO 38500 is growing, and in parallel, discussion of the standard is popping up in more and more places.

British consultant James Finister asks: "[Is ISO/IEC 38500 The Cinderella at the IT Governance Ball?](#)" He discusses the rate of adoption of the standard in the UK, and cites an example of an organisation which applied the principles in ISO 38500 to a project review and discovered several previously hidden problems.

In "[Owners Deserve a Better Deal](#)", New Zealand's Basil Wood argues that adopting more effective ways of governing their IT investments would give most organizations considerable opportunity to create value for their owners and for the economy as a whole.

Understanding Governance of IT

The October 2009 ACS Education Across the Nation (EdXN) briefing in Sydney is now available as a [webcast](#). The video runs for about 55 minutes.

The 2010 series of briefings and education got under way in February with a briefing for the Melbourne members of the ICAA IT special interest group, followed by a presentation to the TAFE Governance and Regulation Summit in Melbourne.

[Look here](#) for details of forthcoming events in Melbourne, Sydney, New Zealand and Europe.

Waltzing with the Elephant

Have you joined the throng of enthusiastic readers? Read the [reviews](#), then post your own on the [LinkedIn Group](#).

The Evolution of the CIO

During 2009, IBM published a paper entitled "The New Voice of the CIO: Insights from the Chief Information Officer (CIO) Study". The paper presents findings of interviews with more than 2,500 Chief Information Officers and their equivalents from all over the world.

The report talks about the relative activities of CIOs in two types of organization – which the authors categorise as high growth and low growth. It suggests that CIO's undertake a range of initiatives more often in high-growth companies. One might infer from the report a suggestion that if any given CIO focuses on the activities of high growth companies, the CIO will contribute to a high growth state for his or her own company.

Perhaps unremarkably, the initiatives referenced are predominantly oriented to implementing some form of new technology, or to tightening control over technology spend. While such activities are clearly and reasonably part of what happens in any organisation, there is something fundamental missing from the discussion: the connector that shows how the business uses the IT to achieve performance and value – or growth. There is no clear linkage established between the activity (or lack thereof) driven by the CIO and the growth performance of the corresponding organisation.

The discussion identifies six roles that may be played by the CIO:

- Insightful Visionary, who works with business leaders to promote innovation;
- Savvy Value Creator, who understands the customer and thus devises better solutions;
- Collaborative Business Leader, who understands the organisation's core business and works with executive peers to drive value from the use of IT.;
- Able Pragmatist, who reliably turns plans into reality;
- Relentless Cost Cutter, who is keenly aware of cost and takes every opportunity to trim it; and
- Inspiring IT Manager, who earns the respect of, and drives the capability of the IT unit.

While at the surface, these roles seem eminently sensible, the report only presents one side of the story – the side experienced by the CIO. There is an implication in the report that CIOs create vision for the organisation, sell it to their executive peers, and then deliver it. But in truly successful organisations, this is not the case. In those organisations that fully understand the role of IT as a tool of business and as an enabler of new capability, the vision is not created only by the CIO – it is created and owned by the entire executive. The decisions about what initiatives are undertaken are not made by the CIO – they are made by the entire executive, and the delivery of the business outcomes is not the responsibility of the CIO – it is the responsibility of the entire executive.

The lack of clear attention to the role of the rest of the executive may be a product of the language and orientation of the report – written about CIOs for CIOs. But perhaps it is also a reflection of the problem that CIOs and business leaders in many organisations today are still not on the same page. Too often, IT is regarded by business leaders as a necessary evil rather than as a true enabler of performance and growth. CIOs do their best, but without the business leadership and the CIO being properly engaged, it's unlikely that even the best CIO can deliver the sort of outcomes that are really possible.

One wonders what results the survey might have delivered had it also interviewed the CEO's and understood the relationship between the business leaders and the IT leaders. Might it be, for example, that high growth companies not only have very savvy and innovative CIOs who can deliver, but these CIOs are also working with CEOs and other executives who truly understand how to exploit information technology as a tool of business. Conversely, might low growth companies also be associated with a CEO and executive disdain for information technology – that "necessary evil" context – through which the grudging investments in IT do not deliver remarkable value and the ongoing cost of operation is regarded as perpetually excessive?

Understanding the relationship between business performance and information technology requires far more than merely an analysis of the CIO. First and foremost, it requires recognition that information technology is a tool of business, and like all tools, success lies not only in the calibre of the tool, but in the expertise of those who wield the tool.

Thus, the analysis should also consider the behaviours of the business executive. It is the business executives who, by virtue of their responsibility for running the business, also control the use of, and ultimate success of the information technology.

This does not mean that the CIO does not have a role. Just as a worker who wants to gain maximum value from a new tool must learn how to use that tool to maximum effect as part of a suite of tools, so too must the business executive learn how to gain maximum value from IT, by looking to relevant experts who can guide them on how to achieve optimum results.

Fundamentally, the CIO should never be working alone. While the CIO may be the titular head of the internal IT organisation and the individual responsible for the supply of IT, the role of the CIO in an effective organisation must be far broader. We can explore this role by taking the roles identified by IBM, and recasting them slightly, looking at the behaviour of the organisation overall.

The Insightful Visionary: This organisation has a leadership team that sees and makes the future,

reaping the rewards of being ahead of the rest. As information technology is almost inevitably an enabler for the advances it will make, it stands to reason that the entire management team will have a very good grasp of not just the potential and capability of information technology, but also of how to implement IT enabled business capability that delivers real, measurable business value.

In the Insightful Visionary organisation, the CIO should be a focal point for understanding and sharing information about new and emerging technology, and may well raise ideas for consideration by the entire leadership team. But the decisions about where to invest, and how aggressively to invest, must be made by the business leaders, at whatever level is appropriate. Those business leaders will take the theoretical possibilities identified by the CIO and turn them into the practical realities (see the Able Pragmatist). And when the new technology enabled business capability is ready to deploy, the same business leaders will drive it out into operation and stay on top of it to ensure that it is delivering the outcomes that were intended.

The Savvy Value Creator: This organisation knows its business and market intimately, and runs it at a near-perfect state of tune. A key part of being in tune is to understand how all the elements of the business work together. Since IT is an enabler to diverse aspects of business operations, including the work of individuals, it should be clear that Savvy Value Creator executives have a comprehensive understanding of how they use IT. By tuning and adjusting the mix of IT and other resources, the executives should find ways to optimise the performance of the business.

A Savvy Value Creator need not be an Insightful Visionary. Almost inevitably, operating as a visionary involves risk and therefore some investment will prove worthless, while other investment may be spectacularly rewarding. A value creator may be focusing on lower risk levels, exchanging write-offs and volatility for a steady, long lived run of returns.

The CIO is vital to the Savvy Value Creator, providing business leaders with detailed knowledge of how IT supports the business and helping find opportunities for optimising the business. The CIO provides insight to the possibilities and limitations of information technology, and supporting assessment of change proposals. But again, it is the business leaders who determine when change is made, and it is they who are accountable for its realisation.

The Collaborative Business: This characteristic might be regarded as the most fundamentally necessary one for organisations that are to be effective users of information technology. The reason is simple – getting the best from any investment in IT demands a close and ongoing collaboration between the business leaders who ultimately determine how

the business operates, and therefore how it uses IT, and the CIO who is, among other things, typically responsible for the supply of the IT.

Inside the Collaborative Business should be a comprehensive respect for the skills and expertise of the key individuals, as they work together constantly to find and realise opportunities. Each of the executives should have a broad understanding of the business in question, while also having a specialty that, when engaged with other specialties, can lead to high performance.

While a large multi-faceted business may operate more or less independently across several lines of activity, it is also likely to seek and find opportunities to gain advantage by exploiting one line's resources in a different context. Information technologists know this as "reuse" and the CIO should have enough understanding of the IT that is in place to help identify and plan opportunities for collaborative exploitation of that IT. But again, it is not the CIO who ultimately decides whether existing capability is reused – that is a fundamental business decision.

The Able Pragmatist: Rome was not built in a day, and the same is true of information technology based business capability. Many organisations fail the test when it comes to successfully implementing and extracting value from their information technology investment. In many cases, this is because they see the IT investment as the totality of the work required to realise value and look on the CIO as the only one who has to put in a significant effort.

Able Pragmatist organisations understand that achieving value from IT enabled change involves attention to the entire business system, which today often extends well beyond the boundary of their own organisation. An Able Pragmatist organisation will rarely regard the CIO as having outcomes responsibility for an IT enabled initiative – simply because the CIO does not normally have the span of control necessary to deploy the total change. With change for major initiatives typically touching people, business process, structure and rules as well as technology, it is likely that ownership of change in Able Pragmatist organisations will rest with one or more very senior business executives.

Many organisations take on more change than they can comfortably sustain. In many cases, this is because they fail to consider the change impact other than that applicable to information technology. In an Able Pragmatist organisation, mature understanding of change by the entire executive should result in filtering of initiatives to ensure that there is balance between the pressure of change and the organisation's capacity to sustain that change. This may mean that fewer projects are undertaken than is theoretically possible from the supply perspective, and it may mean that forecast high value projects are

deferred because there is not the means to fully deliver and exploit them.

Able Pragmatist organisations also understand fully that the mere act of creating an IT feature or system is rarely all that is required to generate value. Implementing new capability typically requires effort to develop the capabilities of people, to fully define and deploy the necessary business process, and to establish the necessary organisational constructs, such as policies, role definitions, delegations of authority and control points.

In Able Pragmatist organisations, the CIO should act as a facilitator and moderator for planning change. Working with peer executives, the CIO should help the executive team understand the comprehensive picture of change in terms of the work that must be done to deliver change and the impact of change on the organisation.

The Relentless Cost Cutter: These organisations constantly trim cost across the board— not just in IT, and therefore have potentially much greater reward to reap from understanding their exact operational cost profiles. Where looking at cost cutting from a narrow IT specific viewpoint may result in incremental savings for parts of the IT supply, a wider business perspective can result in whole lines of business being closed down – eliminating what can in some cases be a major drain on resources.

Relentless Cost Cutter organisations know more than just what IT components are underpinning which parts of the business system. They understand the detailed design of their business system and what drives its overall performance. They will invest in one area to improve performance and drive out cost from another, and when there no longer remains a business case for keeping the system operational, they exit the line of business, taking down the corresponding IT components as part of the process.

They also understand their products and markets intimately. They constantly update their understanding of product and market profitability, and can make pragmatic decisions about when to withdraw these products, retiring the corresponding IT components when they do so.

This does not mean that IT elements are shut down simply because they do not directly produce value. Rather, it means that the Relentless Cost Cutter organisation has a complete understanding of how its business operates, of where cost is incurred and how value is generated. The Relentless Cost Cutter will reconfigure its business system for lowest overall cost, which in some cases may result in people replacing systems, while in other cases it will result in systems becoming more capable.

To be successful as Relentless Cost Cutters, organisations depend on the CIO to go beyond an intimate knowledge of the IT spend – they need to know how much the IT costs them for each discrete

business activity, sometimes to the transaction by transaction level. These organisations discover that even though some IT systems may be optimised to the hilt in terms of cost minimisation, the corresponding business activity may have declined to the point where it is no longer viable, and the most appropriate action is to withdraw completely.

The Inspiring IT Manager: How can one translate this classification of a CIO into a classification of an organisation? Surely the organisation does not manage its IT!

Think again. Organisations that use IT generally depend on it to a considerable degree. As a user of a resource, they should be ensuring that they have properly matched their supply arrangements to their current and expected usage.

Inspiring IT Managers know the factors in their business that drive their rate of use of IT, and they ensure that the IT supply arrangements are capable of delivering what is required. In terms of new capability, an organisation that is an Inspiring IT Manager will ensure that it has the right skills and capabilities to organise, manage and complete the projects in its plan. In terms of existing capability, Inspiring IT Managers know how business activity is evolving over time, and are regularly adjusting their supply arrangements to ensure that the capacity to deliver is there as and when needed.

The CIO in the Inspiring IT Manager organisation provides the focus for matching capability with need. The CIO understands, through ongoing dialogue with peers, what the organisation aspires to achieve, and in liaison with peer executives, develops resourcing plans that assure the organisation of the necessary technical and business skills and capacity to deliver the intended level of change.

These organisation classifications are not mutually exclusive. In reality, most organisations will fit several of these categories at any one time, and they will cycle through the categories as their business models, markets and conditions evolve. But regardless of the model or models that apply at any point in time, there remains a clear imperative. To be successful and gain the maximum value from investing in IT requires that business leaders recognise that IT is nothing more and nothing less than a tool of business, and that they must be fully engaged in every aspect of planning, building and running the IT-enabled business.

Directors should ask questions based on the above descriptions to help them understand whether their executives play their part as effective users of IT. Where responses suggest that too much responsibility lies with the CIO, directors should consider reviewing the organisation's overall approach to governance of IT, and seek development of a policy document to establish clear and appropriate responsibility for both demand (or use) and supply of IT.